



## SUPPORTING HIGH-QUALITY ESRS IMPLEMENTATION

Accountancy Europe and EFRAG organised a [joint webinar](#) on 12 December 2023 to discuss the implementation challenges to the European Sustainability Reporting Standards (ESRS). Representatives from the corporate reporting ecosystem shared their perspectives and provided preliminary views to two ESRS implementation guidance, now in consultation.

### SPEAKERS

**Mark Vaessen** (President, Accountancy Europe | Global Head of Corporate & Sustainability Reporting, KPMG) kicked off the event with keynotes from:

- **Tom Dodd** (Team Leader, Sustainability Reporting, European Commission)
- **Patrick de Cambourg** (Chair, Sustainability Reporting Board, EFRAG)

The event then followed with a panel discussion, moderated by **Hilde Blomme** (Deputy CEO, Accountancy Europe) with:

- **Chiara Del Prete** (Chair, Sustainability Reporting Technical Expert Group, EFRAG)
- **Simon Braaksma** (Senior Director, Corporate Sustainability, Philips)
- **Olivier Schérer** (Chair, Corporate Reporting Policy Group, Accountancy Europe | Europe, the Middle East and Africa (EMEA) Sustainability Reporting Leader, PwC)
- **Wim Bartels** (Chair, Sustainability Policy Group, Accountancy Europe | European Sustainability Senior Partner, Deloitte).

### KEY TAKEAWAYS

#### WELCOME AND INTRODUCTION

*Mark Vaessen (Accountancy Europe & KPMG)*

The ESRS, effective from 1 January 2024, are applicable for the first companies in the Corporate Sustainability Reporting Directive's (CSRD) scope. The ESRS serve as the basis for the preparation of the sustainability statement. They harmonise sustainability reporting practices in Europe, but as with everything new, they also raise practical questions and implementation challenges.

#### KEYNOTE: CSRD & ESRS PIONEER A NEW ERA FOR SUSTAINABILITY REPORTING

*Tom Dodd (European Commission)*

The European Union (EU) is the first jurisdiction to have a comprehensive set of mandatory sustainability reporting standards: the ESRS. The ESRS are consistent with the ambitions of the European Green Deal and aim to put sustainability reporting on the same footing as financial reporting. There are also sources of challenges, in addition to the short time for implementation. To ensure a rapid, efficient and effective implementation, the European Commission (EC) asked EFRAG to focus on implementation and will publish a series of interpretative questions and answers on the CSRD.

The EC's next priorities are:

1. *small and medium-sized enterprises (SME) standards*, both the ESRS for listed SMEs and the voluntary standard or non-listed SMEs, which EFRAG is expected to deliver to the EC by November 2025
2. *digital taxonomy*, which the EC expects to adopt in 2025
3. *sector ESRS*, which the EC has proposed to postpone to 2026
4. *standards for non-EU companies*
5. *continued high levels of interoperability* between ESRS and the International Sustainability Standards Board's (ISSB) standards and the Global Reporting Initiative (GRI) standards
6. *development of EU sustainability assurance standards*

#### **IN FOCUS: A 'HOW TO' ESRS - EFRAG'S IMPLEMENTATION GUIDANCE**

*Patrick de Cambourg (EFRAG)*

EFRAG is actively working on implementation activities, such as:

- implementation guidance, which are non-authoritative documents issued by EFRAG but not endorsed by the EC that illustrate and explain the ESRS. The first three implementation guidance<sup>1</sup> will be IG1 *Materiality Assessment Implementation Guidance*, IG2 *Value Chain Implementation Guidance*, and IG3 *Detailed ESRS datapoints implementation guidance*
- the *Q&A platform*, where stakeholders can submit their ESRS questions for EFRAG to answer

EFRAG also remains committed to interoperability and therefore will soon publish interoperability documents jointly with GRI and ISSB for ESRS and their respective standards.

#### **PANEL: PERSPECTIVES FROM THE REPORTING ECOSYSTEM FOR HIGH-QUALITY ESRS IMPLEMENTATION**

*Hilde Blomme (Accountancy Europe) – moderator, Chiara Del Prete (EFRAG), Simon Braaksma (Phillips), Olivier Schérer (Accountancy Europe & PwC), Wim Bartels (Accountancy Europe & Deloitte)*

Representing preparers, standard setters, the accounting profession and assurance providers, the panel indicated as overall key challenges to ESRS:

- resources
- readiness and capacity building
- the volume of information and data to process
- making materiality assessment

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<sup>1</sup> Post this event, EFRAG opened for consultations these first three draft EFRAG implementation guidance documents. See [here](#).

- value chain considerations
- determining the outcome of the assurance report.

The panel agreed that all stakeholders will be on a journey towards better ESRS reporting where collaboration with each other is key.

Focusing on EFRAG's draft IG1 *Materiality Assessment Implementation Guidance*, the panel agreed that this is a very useful guidance. They shared views on practical challenges such as:

- the (in)experience and level of (im)maturity in making materiality assessments
- setting appropriate (quantitative) thresholds
- the process of engaging with affected stakeholders
- ranking impacts, risks and opportunities including consolidating them for groups
- incorporating the value chain in the materiality assessment

In addition to suggesting addressing the above in the final version of the guidance, the panel advised stakeholders to be pragmatic and focus on the purpose of the report, consider proportionality and remember to have substance over form.

Focusing on EFRAG's draft IG2 *Value Chain Implementation Guidance*, the panel welcomed the guidance and evidenced as challenges:

- determining operational control, and in turn, the reporting boundary
- defining how far to go in value chain
- collecting reliable data from the value chain, and where not possible, making adequate estimations

To ease implementation, the panel again advised stakeholders to be practical when it comes to value chain. It is important to know the company's operations and products well to understand and focus where the real impacts are (e.g., own operations and/or value chain? Where in the value chain? Which aspects of products/services?). Collaboration with industry associations, peers, consultants is key for building effective models, and in turn, disclosures.

## **Q&A**

More than 80 questions were received via Slido during the event. The panel provided suggestions in answer to the most popular ones, including on consolidation, materiality, sustainability assurance standards.

## **CLOSING REMARKS**

*Mark Vaessen, Accountancy Europe & KPMG*

Sustainability reporting is a transparency and accountability tool to lead the transition towards more sustainable business models. High-quality ESRS implementation is a journey, whereby all stakeholders, standard setters, preparers, auditors and regulators must work together towards this end. It is important to be practical and consider "substance over form".

## **USEFUL LINKS**

[EFRAG's Publication of the 3 Draft EFRAG ESRS Implementation Guidance Documents](#)