

# ESRS PERSPECTIVES: PROCESS & DEVELOPMENT

## SUMMARY OF VIEWS

The [European Sustainability Reporting Standards \(ESRS\)](#) have been effective since 1 January 2024 for the first companies in the [Corporate Sustainability Reporting Directive's \(CSRD\)](#) scope. The ESRS introduce a new reporting framework in Europe and include many new concepts which stakeholders may find challenging. The European Commission (EC) and EFRAG are focusing their efforts on providing implementation support. Accountancy Europe has contributed to every step of the ESRS development and finalisation and has shared suggestions for high-quality ESRS implementation.

The purpose of this paper is to share our views on the ESRS development process. To provide background for our views, we have summarised the ESRS process and listed the various ESRS support materials from the EC and EFRAG.

## BACKGROUND INFORMATION

### DEVELOPING THE ESRS

Under the CSRD, EFRAG was tasked to provide the EC with technical advice, which includes the draft ESRS accompanied by the related cost-benefit analyses. Such advice must be developed following a proper due process, having public oversight, transparency, and sufficient public funding. The EC runs its own processes (see below) and ultimately integrates the ESRS into European Union (EU) legislation via delegated acts<sup>1</sup>.

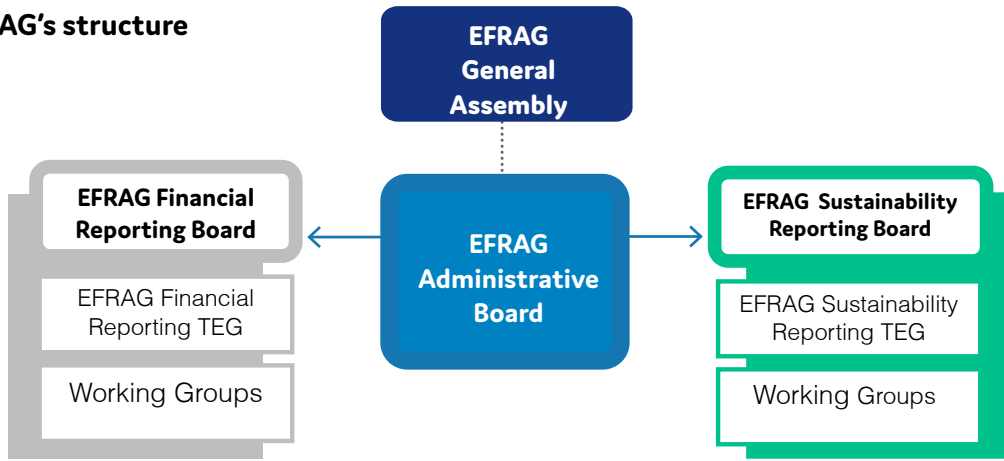
### EFRAG'S PROCESS

To fulfill its new mandate, EFRAG:

- set up a sustainability reporting pillar composed of a Sustainability Reporting Technical Expert Group (SR TEG) and a Sustainability Reporting Board (SRB) (see [Figure 1](#))
- adopted [Due Process Procedures for Sustainability Reporting](#) (DPP for SR) to guide the ESRS development activities of its sustainability reporting pillar.

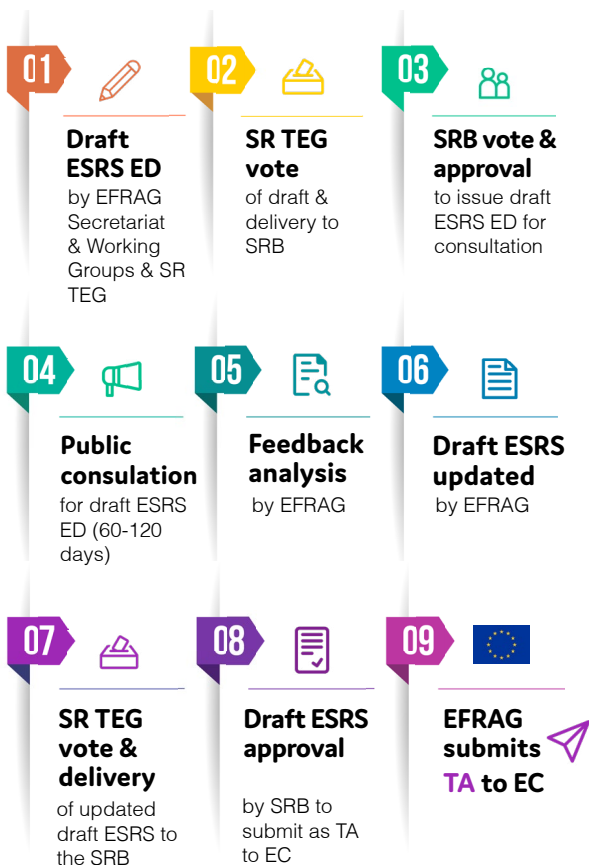
<sup>1</sup> Delegated acts are general application acts adopted by the EC that serve to amend or supplement the non-essential elements of the legislation. See more [here](#).

**Figure 1: EFRAG’s structure**



In line with the DPP for SR, *Figure 2* summarises the normal procedure from developing the draft ESRS Exposure Draft (ED) to delivering the draft ESRS as technical advice (TA) to the EC.

**Figure 2: EFRAG process to deliver the TA on the draft ESRS to the EC**



EFRAG did not follow the first 3 steps of this procedure as its governance reform was underway for the first set of ESRS: the EDs were developed from an informal task force, which also issued them for consultation only for 100 days. The sustainability reporting pillar took over after the consultation and finalised the technical advice on the draft ESRS in four months. EFRAG also outsourced key standard-setting tasks (i.e., the feedback analysis and the cost-benefit analysis) for the first set of draft ESRS due to time pressure to meet the CSRD legal deadline.

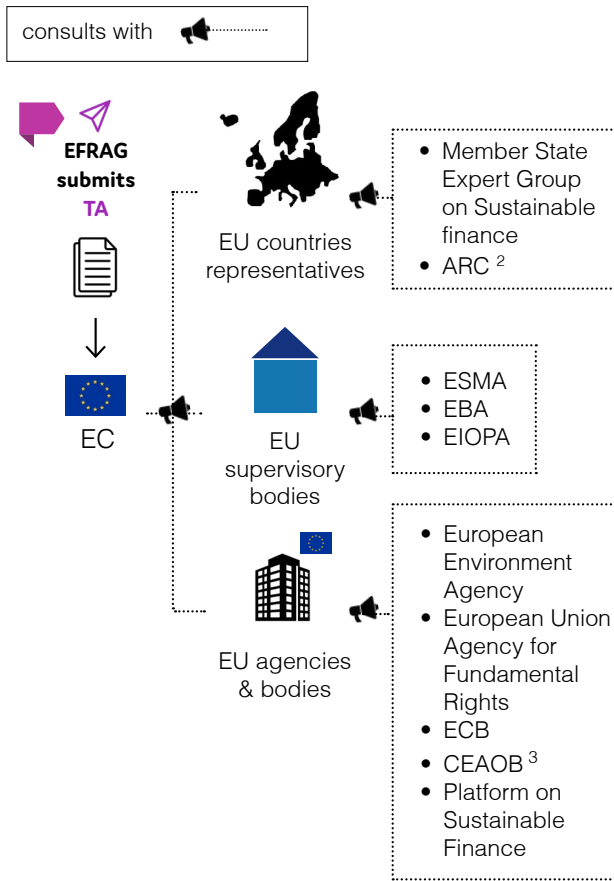
**EC’S PROCESS**

Upon receipt of EFRAG’s technical advice, the CSRD requires the EC to consult on it with several parties (see *Figure 3*). The EU supervisory bodies, namely, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) are required to provide an opinion within two months of the EC’s request.

The EC considers the opinions and feedback and publishes the draft delegated act for a four-week period public consultation in line with the [Better Regulation agenda](#).

The EC finally adopts the delegated act having considered stakeholders’ views and submits it to the European Parliament (EP) and the Council. Unless one of them or both object to the delegated act in a two-month period, it enters into force and is published in the European Union Official Journal (EU OJ). The period for objection might be extended by an additional two months if either the Council or the EP request such extension.

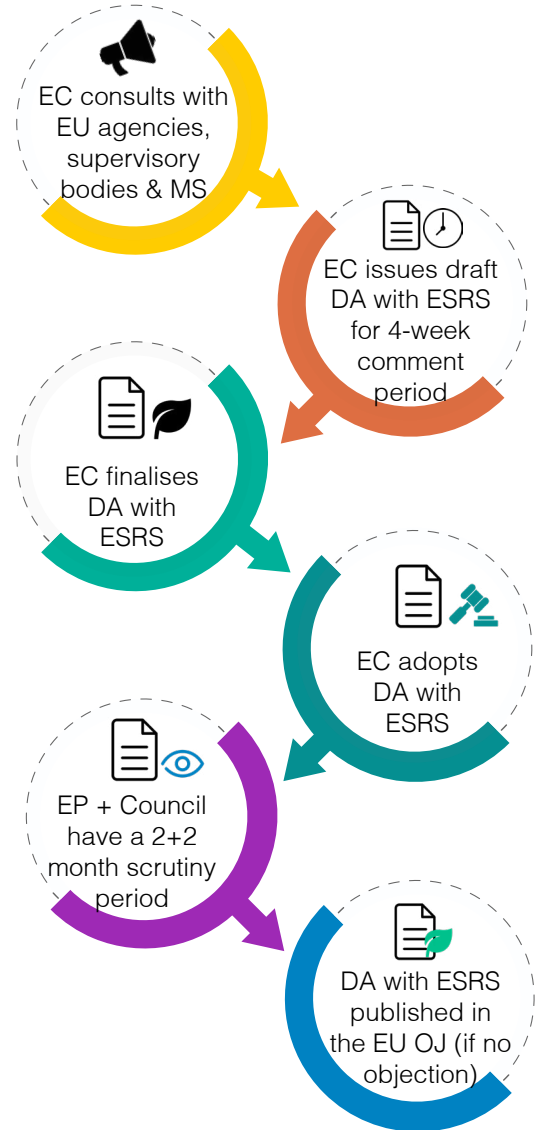
**Figure 3: EC consultation process**



If either the Council or the EP object, then the respective institution will need to vote. The Council can object via a Council decision which needs a qualified majority to pass. The EP can object by tabling a motion to the plenary where it needs a majority. If either happens, then the delegated act cannot enter into force. However, if a majority is not reached for the objection proposals of the respective institution, then the delegated act is published in the EU OJ and enters into force. *Figure 4* summarises the process the EU institutions follow when adopting delegated acts with the ESRS.

For the first set of ESRS delegated act, some members of the EP tabled [a motion for a resolution to object to the ESRS](#), which did not get a majority vote<sup>4</sup>, ultimately clearing the ESRS to enter into force.

**Figure 4: Process to adopt the ESRS delegated acts**



**MATERIALS FROM EFRAG AND THE EUROPEAN COMMISSION**

Upon the EC's request EFRAG also works on implementation support, digitalisation guidance, interoperability with international standards and frameworks, and developing other standards. The EC also issued [questions and answers on the adoption of the ESRS](#) and recently, [FAQs on the CSRD, including ESRS](#). The table in annex summarises EFRAG's and the EC's finalised and ongoing materials and work.

<sup>2</sup> Accounting Regulatory Committee (ARC)  
<sup>3</sup> Committee of European Auditing Oversight Bodies (CEAOB).  
<sup>4</sup> The EP voted the motion for a resolution to object to the ESRS: 359 votes against, 261 votes for and 11 abstentions.

## OUR VIEWS

### DUE PROCESS

Robust, transparent, clear and independent due processes legitimise standards. It is paramount for EFRAG and the EC to follow a rigorous due process, allow stakeholders the adequate time to respond to consultations and field-test standards before finalisation to ensure the ESRS are fit-for-purpose. In addition, EFRAG should formalise the processes it follows for its additional EC's requested workstreams (see Annex below).

### FUNDING

Accountancy Europe called for adequate public funding for EFRAG to deliver ESRS-related tasks in this [joint letter](#). The EC has assigned EFRAG various tasks in addition to those mandated under the CSRD that in our view require additional, dedicated funding. This would equip EFRAG with the necessary resources to undertake the important ESRS-related work without heavily relying on its members' in-kind resources, and enable it to follow an adequate due process.

### IMPLEMENTATION SUPPORT

EFRAG provides non-authoritative answers to ESRS-related questions via its Q&A Platform and its Implementation Guidance (see Annex). We suggest EFRAG answers questions only via the Q&A platform, to avoid duplications and for simplicity. For this, EFRAG should move the FAQs in the Implementation Guidance to the Q&A platform deliverables.

The EC too issued non-authoritative FAQs on CSRD, including on ESRS. These include topics already addressed by EFRAG, creating confusion and undermining the usefulness of EFRAG resources. To simplify, the EC and EFRAG could set up a joint ESRS Interpretation Committee, similar to IFRIC, which would provide official and authoritative ESRS interpretations, which would then be incorporated into EU law.

## BASIS FOR CONCLUSIONS

The basis for conclusions, while non-legally binding, are key to understanding the rationale behind the final standards' provisions and help implementation. For this reason, the EC should update EFRAG's basis for conclusions on the draft ESRS to include the EC's rationale when making the final changes to the finalised first set of ESRS. This practice should also continue for future ESRS.

## EUROPEAN LAB

EFRAG's European Lab facilitated dialogue among stakeholders and encouraged good corporate reporting practices. Reactivating it would provide a hub that would allow stakeholders to share real-life examples, challenges and provide suggestions for improvement among parties in the ESRS reporting ecosystem.

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## ANNEX: EFRAG AND EC ESRS RELATED MATERIALS (as of September 2024)

### Legend



EFRAG task mandated under CSRD



additional EFRAG task, requested by the EC, not part of the CSRD mandate



Completed



Ongoing






















Not delivered



Not started

Material & work	Action from EFRAG	Status	Comment	Action from EC	Status	Comment
<b>Sector-agnostic ESRS</b>	Prepare drafts & deliver to EC		The Project Task Force on ESRS, an informal EFRAG group issued <a href="#">13 Exposure Drafts for consultation</a> in April 2022. EFRAG incorporated the stakeholder feedback and delivered <a href="#">12 draft ESRS</a> to the EC.	Adopt delegated act		<a href="#">Delegated act with 12 sector-agnostic ESRS</a>
<b>Cost-benefit analysis</b>	Prepare drafts & deliver to EC		Outsourced for the first set and delivered in the name of the contractor.			
<b>Q&amp;A on the adoption of ESRS</b>				Prepare & finalise		<a href="#">Q&amp;A on the adoption of ESRS</a>
<b>CSRD FAQ</b>				Prepare & finalise		<a href="#">CSRD FAQ</a> : non-authoritative interpretation of various aspects of the CSRD, including ESRS
<b>Basis for Conclusions</b>	Issue		Considerations and rationale of draft ESRS development. Deliverable foreseen in the DPP SR and in line with reporting standards developing practices. <a href="#">Link</a>			Not adopted in EU law via delegated acts. The EC did not update the Basis for Conclusions for the final ESRS, which were amended after EFRAG's drafts.
<b>Feedback statement</b>	Issue		Summarises the feedback from consultations. EFRAG did not publish a final feedback statement for the first set of ESRS.			
<b>ESRS for listed SMEs</b>	Prepare drafts & deliver to EC		Standard will apply to listed SMEs, small and non complex financial institutions and captive insurance or reinsurance companies. <a href="#">Link</a>	Adopt delegated act		Delayed adoption. The respective delegated act should have been adopted in June 2024.
<b>Sector-specific ESRS</b>	Prepare drafts & deliver to EC		Around 35 such standards are currently under development by EFRAG. <a href="#">Link</a>	Adopt delegated act		A first batch of sector-standards is expected to be adopted by June 2026
<b>Q&amp;A platform</b>	Issue		For stakeholders to ask ESRS-related questions. EFRAG releases non-authoritative technical explanations regularly with answers to the questions. Not part of the DPP for SR, and EFRAG does not consult when finalising these technical explanations. <a href="#">Link</a>			EFRAG documents that are not endorsed by the EC.

Material & work		Action from EFRAG	Status	Comment	Action from EC	Status	Comment
<b>Implementation guidance</b>		Issue		Non-authoritative guidance, limited to the ESRS provisions without interpretation. Includes guidance, examples and answers to FAQs. Not foreseen in the DPP for SR, but EFRAG consults for one month with stakeholders before finalisation. To date, EFRAG has finalised 3 Implementation Guidance documents <a href="#">Link</a>			
<b>ISSB interoperability guidance</b>		Issue		Joint EFRAG - International Sustainability Standards Board (ISSB) non-authoritative guidance on the alignment between ESRS and the IFRS Sustainability Disclosure Standards. <a href="#">Link</a>			EFRAG documents that are not endorsed by the EC.
<b>TNFD interoperability mapping</b>		Issue		Joint EFRAG – Taskforce on Nature-related Financial Disclosures (TNFD) non-authoritative mapping between the ESRS and the TNFD’s recommended disclosures and metrics. <a href="#">Link</a>			
<b>ESRS for non-EU companies</b>		Prepare drafts & deliver to EC		The CSRD extends to non-EU companies that: <ul style="list-style-type: none"> <li>• have generated over 150 million/ year in the EU for each of the last 2 years and</li> <li>• have in the EU either a branch with a net turnover exceeding 40 million or a subsidiary subject to certain criteria.</li> </ul> <a href="#">Link</a>	Adopt delegated act or grant equivalence		To comply with the CSRD, these companies can use: <ul style="list-style-type: none"> <li>• this tailored standard, or</li> <li>• the full ESRS or,</li> <li>• ESRS equivalent standards, if applicable</li> </ul>
<b>Voluntary ESRS for non-listed SMEs</b>		Issue		Can be used by companies outside of the CSRD’s scope. Not part of the DPP for SR, but EFRAG follows the normal ESRS due process procedures. This standard will remain an EFRAG deliverable, as the EC will not endorse it. <a href="#">Link</a>			This standard will remain an EFRAG deliverable, as the EC will not endorse it.
<b>ESRS 1 XBRL Taxonomies</b>		Prepare drafts & deliver to ESMA		Developed and consulted on by EFRAG. Following stakeholder feedback, these taxonomies will be handed over to ESMA and the EC. <a href="#">Link</a>	Adopt delegated act		ESMA will develop the respective draft regulatory technical standards (RTS) for tagging the sustainability reporting based on these taxonomies. The EC will adopt ESMA’s draft RTS via delegated acts that will complement the European Single Electronic Format (ESEF).
<b>Article 8 XBRL Taxonomy</b>		Prepare drafts & deliver to ESMA		Developed and consulted on by EFRAG. Following stakeholder feedback, these taxonomies were handed over to ESMA and the EC. <a href="#">Link</a>	Adopt delegated act		
<b>GRI interoperability index</b>		Issue		Joint EFRAG-Global Reporting Initiative (GRI) non-authoritative tool that would set out how the disclosure requirements and datapoints in each set of standards relate to each other. The tool as not yet been finalised. <a href="#">Link</a>			EFRAG document that are not endorsed by the EC.