

EFFAS CESG Annual Conference on 25th November

Corporate reporting and disclosure
panel 11.45 – 12.45

CESG Visual Guide
«*Sustainability Disclosure Regime*»

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Standard setter per l'analisi finanziaria

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EU's Sustainable Finance strategy

The Sustainable Finance Disclosure Regulation and the Taxonomy Regulation, together with the NFRD (renamed CSRD), are the core elements of the sustainability reporting regime that underpins the EU's Sustainable Finance Strategy.

EU sustainability disclosure regime for financial and non-financial companies

INSTRUMENT	SFDR	EU TAXONOMY	CSRD
SCOPE	Financial market participants offering investment products and financial advisers	Financial market participants; all companies subject to CSRD	All EU large Companies and all listed companies (except listed micro-enterprises)
DISCLOSURE	Entity and product level disclosure on sustainability risks and principal adverse impacts	Turnover, capital and operating expenditures in the reporting year from products or activities associated with Taxonomy	Report on the basis of formal reporting standards and subject to external audit
STATUS	from 10 March 2021	from January 2022	Under negotiation (expected to be applied from 2023)

Source: EU Strategy for financing the transition to a sustainable economy

Corporate Sustainability Reporting Directive

On 21 April 2021, the European Commission published the text of the proposal for the CSRD that is expected to be applied from the financial year starting on 1 January 2023 or later

The proposed Directive will involve more than 49,000 companies

Companies falling within the scope of the new Directive must provide the information requested using the EU Sustainability Reporting Standards

The SMEs standards will be tailored to the capacities and resources of such companies

The list of sustainability issues on which companies are required to report should be as consistent as possible with the definition of "Sustainability factors" established in Regulation (EU) 2019/2088

It subjects the information reported on sustainability to a "limited assurance" and includes the option to switch to a "reasonable assurance" at a later stage.

Large companies and, starting from 1 January 2026, small and medium-sized enterprises, must include in the management report the information on sustainability

Is preferable to use the term sustainable instead of non-financial to give financial dignity to sustainability

A first set of standards is expected to be adopted by 31 October 2022 that specify all sustainability issues and all reporting areas listed in Article 19 bis, paragraph 2

A second set of standards will be adopted by 31 October 2023 at the latest

The proposed Directive specifies the principle of double materiality

Sustainability factors must be digitally tagged in a machine-readable format.
information on intangible assets

EFRAG recommendations about potential ESRS

EFRAG has initiated the technical preparatory work necessary to develop European Sustainability Reporting Standards with specific attention for climate-related disclosures in order to promote Paris alignment of investment flows



EU mandate: consistent with the disclosure requirements set out in relevant EU legislation

- ❖ Sustainability-related disclosures in the financial services sector
- ❖ EU Taxonomy
- ❖ other relevant EU Law
- ❖ Pillar III Corporate Requirements Regulation
- ❖ Solvency and Financial Condition Reports



EFRAG Due process procedures for EU sustainability reporting standard-setting

- ❖ EFRAG FRB and SRB
- ❖ Establishing a committee dedicated to analyzing the standards developed under the auspices of IFRS and a flowing exchange of views would be advisable between IFRS and EFRAG boards
- ❖ Digital Guidance
- ❖ Description and measurement of impact sustainability matters
- ❖ European Single Access Point (ESAP)
- ❖ Sustainable Corporate Governance Initiative
- ❖ Financial Data Exchange Templates (FinDatEx)



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