

Report of the Outreach event on draft ESRS EDs held in Amsterdam on 15th of June 2022

Agenda of the outreach event:

- 1 The following topics were discussed at the meeting [or link to agenda]:
 - (a) Plenary general introduction to the CSRD and ESRS
 - (b) Plenary presentation on ESRS 1+2 and feedback
 - (c) Break-out sessions on E, S and G standards and feedback
 - (d) Plenary feedback
- 2 Presentations and video's are available on our website: <https://rjnet.nl/duurzaamheidsverslaggeving/outreach-rj-efrag-15-juni-2022/>

Introduction

- 3 Main comments made by panellists
 - Most attendees were still relatively new to the ESRS – so learning more was an important objective
 - Objectives of CSRD understood – but wondering if that means we need to have so many standards with so much detail
- 4 Questions asked and answers provided
 - Who will be using all the detailed information asked in the ESRS? Especially for “non-listed” companies?
 - Who will enforce compliance – esp. for non-listed companies?
 - What are the main recommendations for new reporters?
Start with a materiality analysis and include senior management in this. An informed discussion will help shaping the agenda and improve understanding. Also engage the finance function within the company
- 5 Results from polling questions [if results not yet shared with PMO]
 - *Shared with PMO*

Cross-cutting standards

6 Main comments made by panellists

- Perceived disconnect between materiality analysis and approach in ESRS 1+2 on rebuttable presumption
- Prescriptive nature of ESG content location not appreciated by “advanced reporters”- three steps back on integrated reporting journey
- Double materiality seen as good development
- Concerns on availability of staff (at preparers), auditors, as well as regulators
- Auditors need to strengthen capabilities and capacity and get familiar with this type of reporting and information. They also need to start discussions with their clients as of today to help prepare particularly the new reporters.
- The rebuttable presumption will create significant discussions, amongst others with the auditors, noting that it is very hard to justify why you have *not* reported on a certain topic (much easier to explain why you *have* reported on a certain matter).

7 Questions asked and answers provided

- If local reporting requirements already prescribe inclusion of topics (e.g. on governance – and this is a well-accepted practise in a governance chapter in the Annual Report), why would you need cross-references? Or move the content to an ESG chapter?
- Including Supply Chain from the start perceived as very complex, esp. for new reporters
- Today, only 50% of listed (AEX/AMX) companies have some form of assurance on ESG data – which means an enormous step-up is needed in a very short period. Especially for listed companies with reporting requirements over the financial year 2024.

8 Results from polling questions [if results not yet shared with PMO]

- *Shared with PMO*

Environment standards

9 Main comments made by panellists

- Very detailed standards, with a lot of Disclosure Requirements, whereas “golden standards” for e.g. biodiversity are not there yet .. (unlike GHG protocol for climate)
- Issue with rebuttable presumption – some topics do not appear in materiality analysis, why explain – and negotiate with auditor – on this.
- Industry “prescription” on material topics would be much better – and result in comparable data

10 Questions asked and answers provided

- Supply chain data is very difficult to obtain, where carbon may still be most advanced. How to tackle this?
- Financial impact assessment of climate change is even for experienced reporters complex – is this doable for new reporters?
- Should there be a “safe harbour” structure like the SEC proposes for supply chain data?

11 Results from polling questions [if results not yet shared with PMO]

- *Shared with PMO*

Social standards

12 Main comments made by panellists

- The standard only focusses on male/female split-up for disclosure, but nowadays there is also more diversity. A question from the audience was whether a third category needs to be included.

13 Questions asked and answers provided [if relevant]

- Workforce definition: there was general support, but also concerns were raised about the fact that it is not aligned with GRI. The trade union representative mentioned that workers of subcontractors on site should be included in 'own workforce';
- Why is DR S1-12 Working Hours optional. Some indicated that this contains relevant information for different stakeholders, including works councils;
- Why are relevant but less tangible social indicators not included, such as employee engagement and inclusion & diversity;
- How to legally or contractually obtain the necessary information from entities up and down the value chain.

14 Results from polling questions

- *Shared with PMO*

Governance standards

15 Main comments made by panellists

- Comments on relevance of the governance ESRS given current (Dutch) requirements on reporting on governance. E.g. Dutch Corporate Governance code covers most topics – but applicable to listed companies (some non-listed applied this code on a voluntary basis)
- Concerns raised on “boilerplate language” due to the substantive sustainability disclosure requirements perhaps steering undertakings towards more easy (however less informative) boilerplate language instead of entity specific, meaningful disclosures
- Relation between Corporate Sustainability Due Diligence Directive and ESRS. It should be aligned
- Broad scope of the governance ESRS (“governance” instead of “governance related to sustainability matters”) raised questions on the legal basis of the governance ESRS provided in CSRD / and questions on the relation between cross cutting ESRS and governance ESRS
- Concerns on duplication of information in corporate report

16 Questions asked and answers provided

- Questions on relevance of the governance ESRS given current (Dutch) requirements on reporting on governance Answer: Relevance differs per stakeholder group – for listed entities (and their stakeholders) probably not new. However for the not-listed entities and stakeholders perhaps more new (and relevant). Adds to existing knowledge currently part of the corporate report
- How will enforcement look like?
- Why are the topical ESRS broader than the cross cutting standards on governance?

17 Results from polling questions [if results not yet shared with PMO]

- *Shared* with PMO