

**Academic
perspective on**

ESG &

DRAFT ESRS

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at a GLANCE

Scope extended to all large and listed companies, plus some non EU

Mandatory, European **Standards**

Based on **double materiality principle**

Drafts developed by **EFRAG as technical advisor to the EC**

To be adopted by EC as **Delegated Acts**

Standards by topic (ie theme) and by sector covering Environmental, Social and Governance

Proportionate standards for **listed SME's**, and **standards for non-EU** companies with EU branches or subsidiaries

Assurance requirement, starting with **limited assurance** and later evolving to reasonable

the SCOPE

Groups and individual entities. Subsidiary exemption mechanism defined

All **companies > 250 employees** operating with the European Union

- All large companies
- All listed companies (except micro enterprises)

Voluntary regime for other **SMEs** (Not included in the Delegated Act)

Non-EU companies with branches or subsidiaries in the EU above certain thresholds

Listed SMEs

Listed SMEs

Option to use simpler, proportionate standards

Possibility to opt-out for 2 years after entry info application

Non-EU parent companies

Separate standards

Not covering all reporting areas: impact focus, not financial materiality

DRAFT ESRS

CROSS-CUTTING STANDARDS

ESRS 1

General Requirements

ESRS 2

General Disclosures

TOPICAL STANDARDS

ESRS E1

Climate Change

ESRS E2

Pollution

ESRS E3

Water and Marine Resources

ESRS E4

Biodiversity and Ecosystems

ESRS E4

Resource and Circular Economy

82 Disclosure Requirements Qualitative or quantitative

Social

ESRS S1

Own Workforce

ESRS S2

Workers in the value chain

ESRS S3

Affected communities

ESRS S4

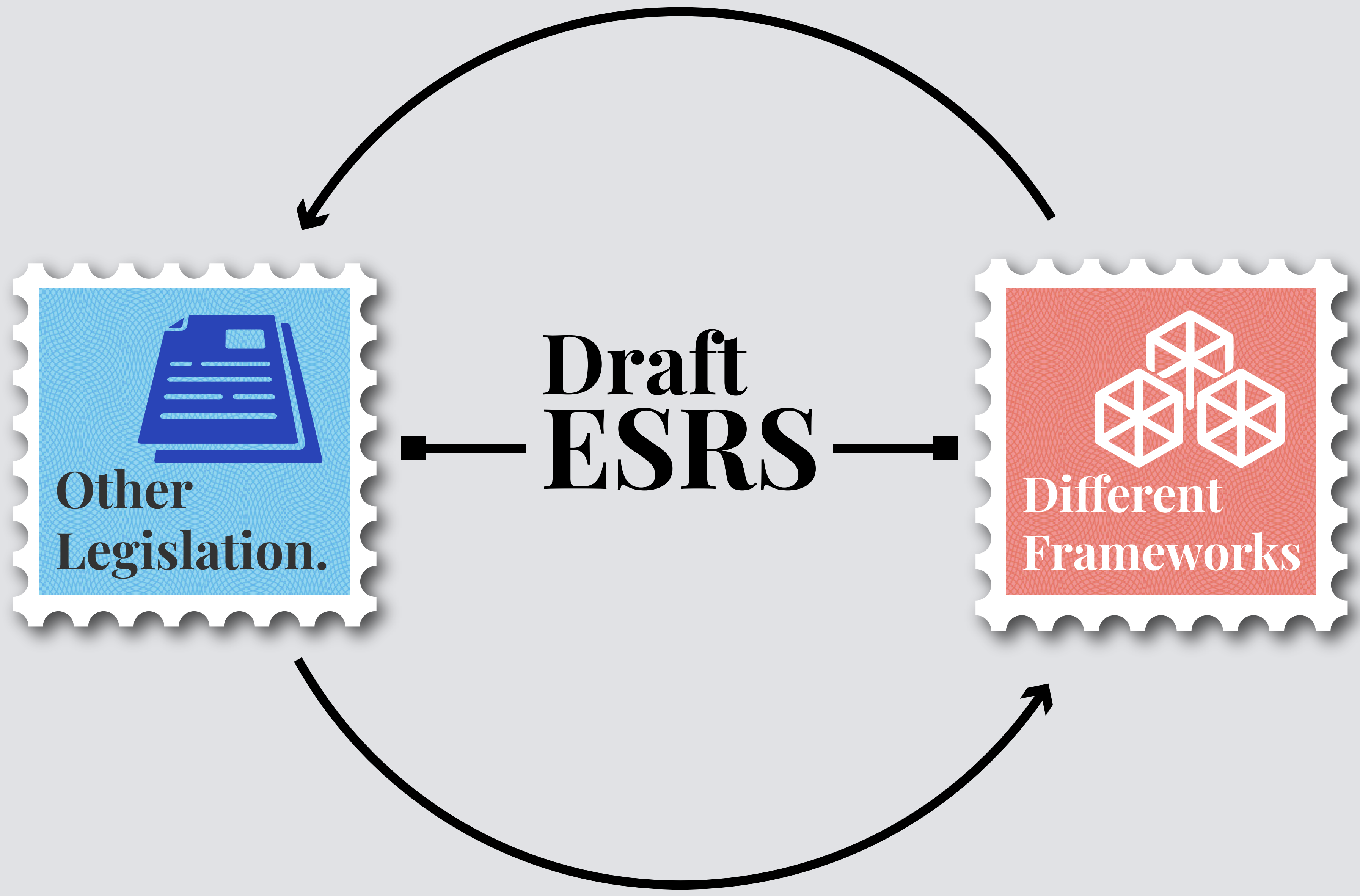
Consumer and end user

Double Materiality Financial materiality and Impact Materiality

Governance

ESRS G1

Business Conduct



DRAFT ESRS

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Business Conduct

Legislation



Frameworks

■ UNGP

■ SDG

■ Workforce
Disclosure Initiative

■ SFDR
References

■ CDSB

■ UNFCCC

■ IFRS

■ IIRC

■ Green
Paper

■ SASB

■ CDP

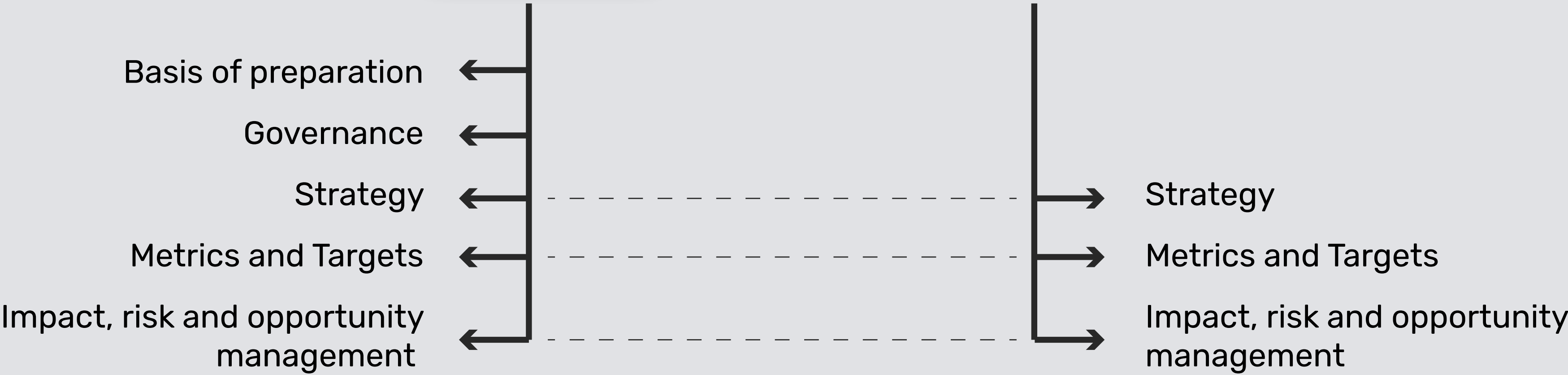
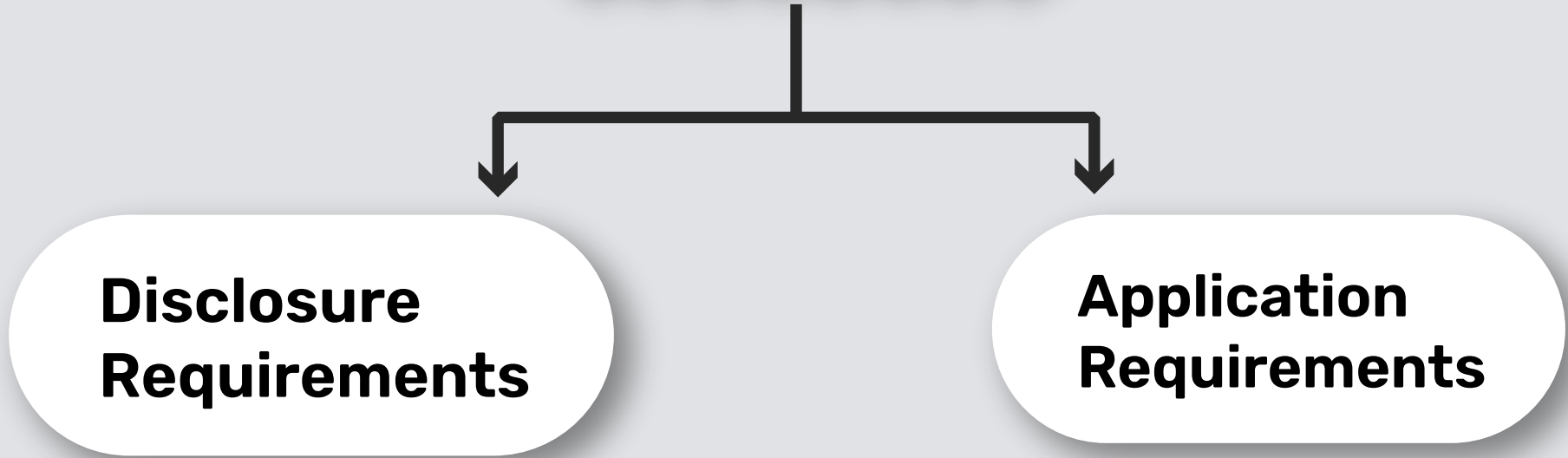
■ The 2030 climate
and energy referendum

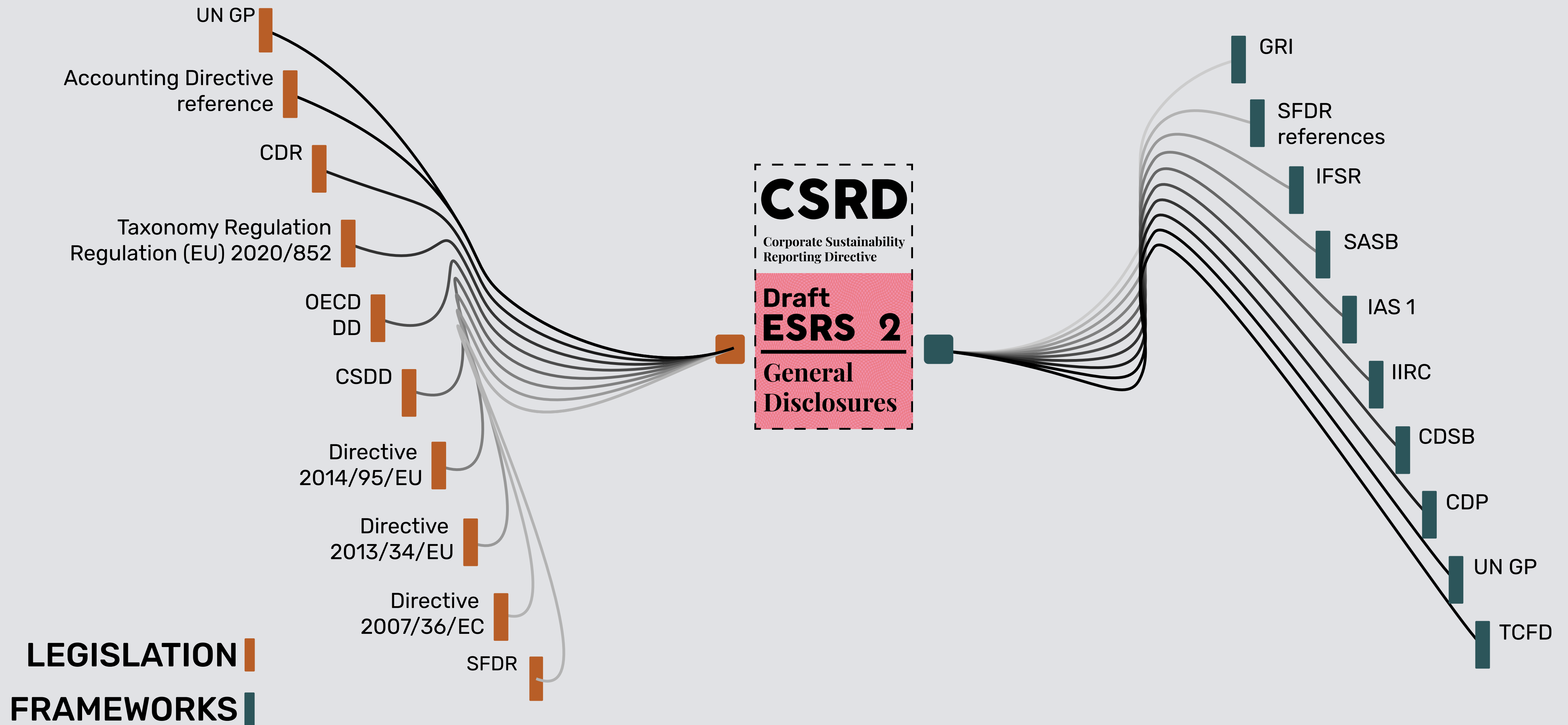
■ TCFD

■ IAS1

■ UNGC

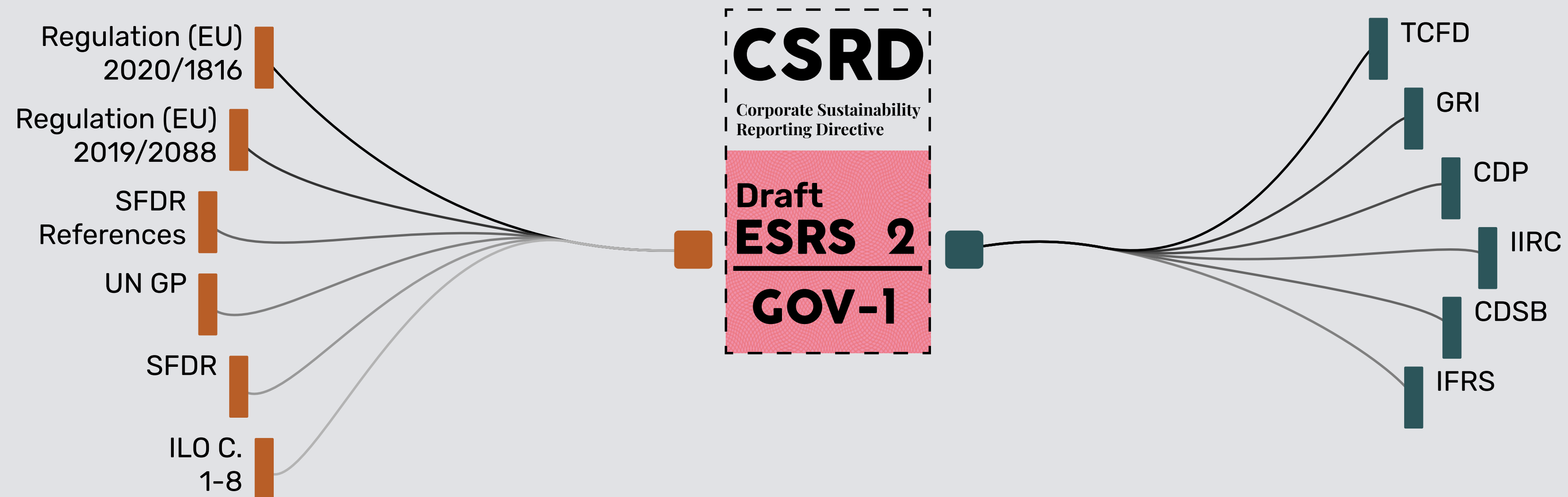
Draft
ESRS 2
General
Disclosures





Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies



LEGISLATION |
FRAMEWORKS |

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

CSRD

Corporate Sustainability
Reporting Directive



**Draft
ESRS 2**

European Sustainability
Reporting Standards

Art. 19a (2) (c)

19a (2) (c)

"a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;"

Art. 29b (2) (c) (i)

"specify the information that undertakings are to disclose about the following governance factors: (i) the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;"

17 - "...composition of the administrative, management and supervisory bodies their roles and responsibilities and access to expertise and skills with regard to sustainability matters..."

18 - "...composition and diversity of the administrative, management and supervisory bodies the roles and responsibilities in exercising oversight of the process to manage material impacts, risks and opportunities..."

19 - "...composition and diversity of the members of the undertaking's administrative, management and supervisory bodies...representation of employees and other workers; experience relevant to the sectors, products and geographic locations"

20 - "... each body's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies..."

21 - "...how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters..."

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

**Draft
ESRS 2**
European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %

IFSR
S1 ED

Paragraph 13

The objective of sustainability-related financial disclosures on governance is to enable users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities.

Text

To achieve this objective, an entity shall disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of sustainability-related risks and opportunities, and information about management's role in those processes. Specifically, an entity shall disclose:



13. Board gender diversity: Average ratio of female to male board members in investee companies, expressed as a percentage of all board members

Number

UN GP

A2.1

How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?

Text

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

**Draft
ESRS 2**
European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %



C 1.1 Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Text

C 1.2 Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

C 15.1 Is there board-level oversight and/or executive management-level responsibility for biodiversity-related matters within your organization?

F 4.1 Is there board-level oversight of forests-related issues within your organization?

F 4.2 Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

W 6.2 Is there board level oversight of water-related issues within your organization?

W 6.3 Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

**Draft
ESRS 2**
European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %

IIRC

1.2

An integrated report should include a statement from those charged with governance that includes:

- An acknowledgment of their responsibility to ensure the integrity of the integrated report
- Their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the <IR> Framework. Where legal or regulatory requirements preclude a statement of responsibility from those charged with governance, this should be clearly stated.";

Text

IIRC

4.8

"An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?"

Text

IIRC

4.9

An integrated report provides insight about how such matters as the following are linked to its ability to create value:

- The organization's leadership structure, including the skills and diversity (e.g. range of backgrounds, gender, competence and experience).
- Specific processes used to make strategic decisions and to establish and monitor the culture of the organization.
- How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders
- Whether the organization is implementing governance practices that exceed legal requirements
- The responsibility those charged with governance take for promoting and enabling innovation
- How remuneration and incentives are linked to value creation.

Text

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

**Draft
ESRS 2**
European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %



REQ - 01

Disclosures shall describe the governance of environmental and social policies, strategies and information.

Text



Disclosure 2-17

The collective knowledge of the highest governance body
The organization shall: a. report measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.

Text, Number



Governance (a), (b)

(a) Describe the board's oversight of climate related risks and opportunities.
(b) Describe management's role in assessing and managing climate-related risks and opportunities.

Text

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

**Draft
ESRS 2**
European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %



Text, Number

Disclosure 2-9 Governance structure and composition

Governance structure and composition: The organization shall: describe its governance structure, including committees of the highest governance body; a. list the committees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people; b. describe the composition of the highest governance body and its committees by: i. executive and non-executive members; ii. independence; iii. tenure of members on the governance body; the number of other significant positions and commitments held by each member, and the nature of the commitments; iv.v. gender; vi. under-represented social groups; vii. competencies relevant to the impacts of the organization; viii. stakeholder representation;



Text

Disclosure 2-10 Nomination and selection of the highest governance body

Governance structure and composition: The organization shall: describe i
Nomination and selection of the highest governance body: The organization shall: a. describe the nomination and selection processes for the highest governance body and its committees; b. describe the criteria used for nominating and selecting highest governance body members, including whether and how the following are taken into consideration: i. views of stakeholders (including shareholders); ii. diversity; iii. independence; iv. competencies relevant to the impacts of the organization.;

Disclosure Requirement GOV-1

-The role of the administrative, management and supervisory bodies

Draft ESRS 2

European Sustainability
Reporting Standards

The undertaking shall disclose the **composition of the administrative, management and supervisory bodies, their roles and responsibilities** and access to expertise and skills with regard to sustainability matters.

Text, Number, %



Text

Disclosure 12

Role of the highest governance body in overseeing the management of impacts

Role of the highest governance body in overseeing the management of impacts: The organization shall: a. describe the role of the highest governance body and of senior executives in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development; b. describe the role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people...

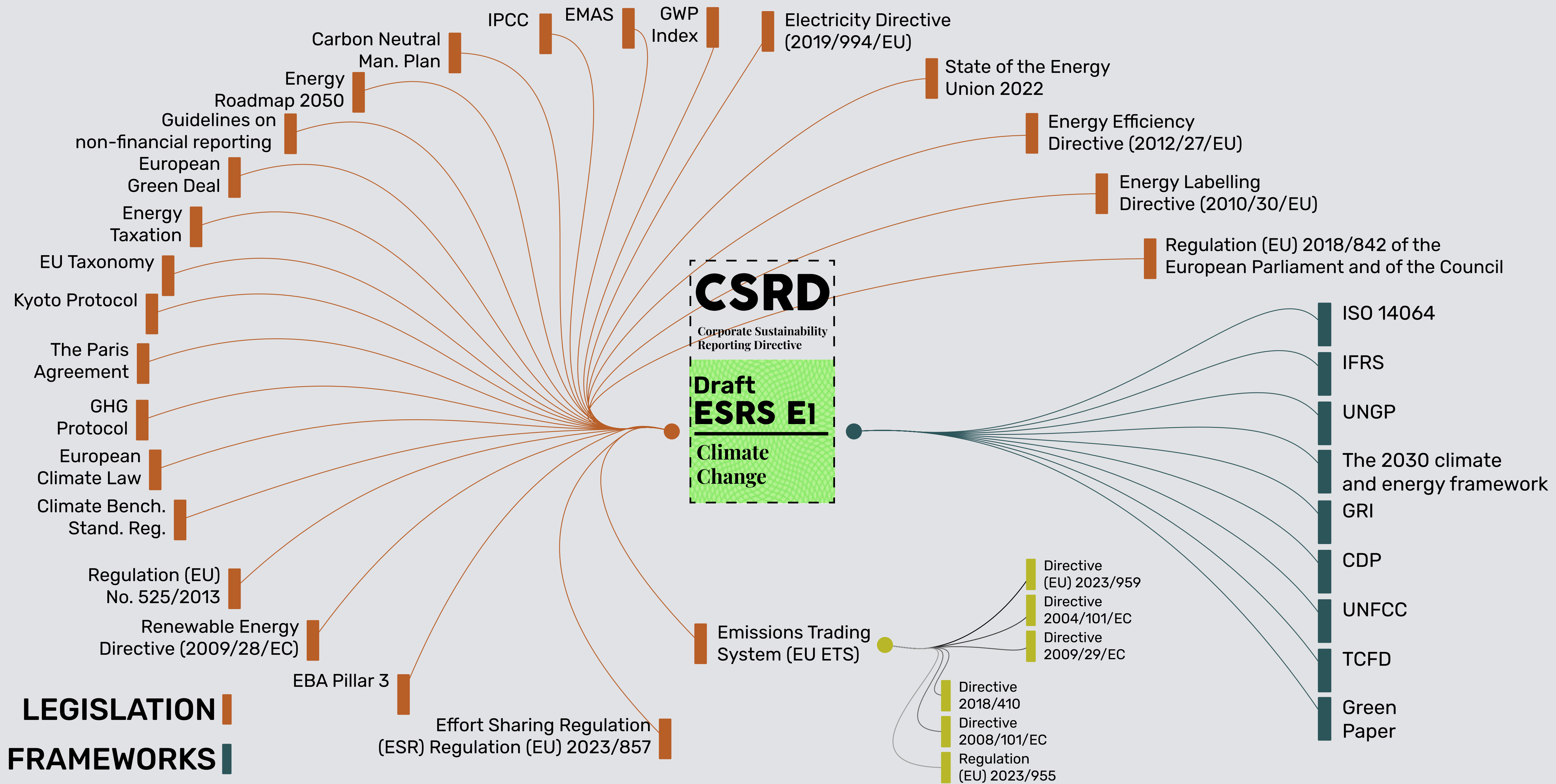


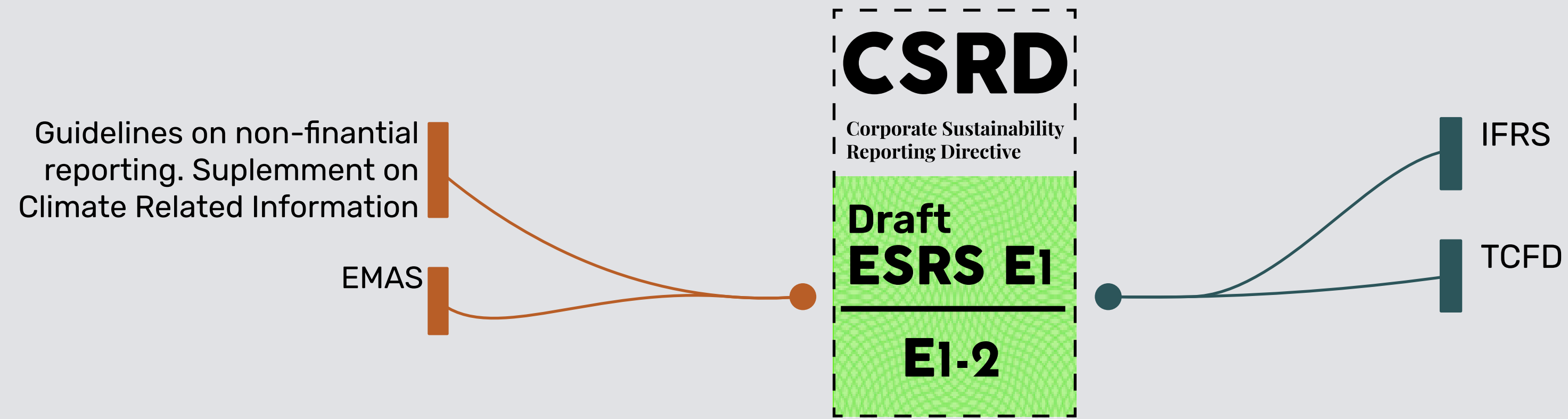
Text

Disclosure 13

Delegation of responsibility for managing impacts

The organization shall: a. describe how the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people, including: i. whether it has appointed any senior executives with responsibility for the management of impacts; ii. whether it has delegated responsibility for the management of impacts to other employees; b. describe the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people.





Disclosure Requirement E1-2

– Policies related to climate change mitigation and adaptation



Art. 19a §2 (d)

1. Large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public interest entities as defined in point (a) of point (1) of Article 2 shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.

(...)

2. The information referred to in paragraph 1 shall contain:

(...)

(d) a description of the undertaking's policies in relation to sustainability matters;

20 - The undertaking shall disclose the policies it has adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.

21 - The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.

22 - The disclosure required by paragraph 20 shall contain the summarised information on the policies implemented by the undertaking to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation (see [draft] ESRS 2 DC-P Policies adopted to manage material sustainability matters).

23 - The undertaking shall indicate whether and how its policies address the following areas:

- a. climate change mitigation;
- b. climate change adaptation;
- c. energy efficiency;

Disclosure Requirement E1-2

– Policies related to climate change mitigation and adaptation

**Draft
ESRS E1**
European Sustainability
Reporting Standards

The undertaking shall disclose the policies it has adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.

**Regulation (EC) No
1221/2009
(EMAS)**

Annex IV B (b) and (g) (EMAS)

(b) the environmental policy and a brief description of the environmental management system of the organisation;

**Commission,
Guidelines on
nonfinancial
reporting:
Supplement on
reporting
climate-related
information (2019),**

3.2. Policies and Due Diligence Processes Governance and control systems are key to stakeholders' understanding of the robustness of a company's approach to climate-related issues. Information on the involvement of the board and management, in particular their respective responsibilities in relation to climate change, informs stakeholders on the level of the company's awareness of climate-related issues. When describing the role of the board, the company may wish to make a reference to any corporate governance statement that it is required to publish.

Stakeholders may also be interested in the company's policies and any associated targets that demonstrate its commitment to climate change mitigation and adaptation, and in its due diligence processes. This will help stakeholders to understand the company's ability to manage its business to minimise climate-related risk, limit negative impacts on the climate and maximise positive impacts throughout the value chain. Policies and processes addressing climate-related topics may be separate from or integrated into other policies and operational processes.

Disclosure Requirement E1-2

– Policies related to climate change mitigation and adaptation



The undertaking shall disclose the policies it has adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.

Text

TCFD

Text

Risk Management, Recommended disclosure (b)

Describe the organization's processes for managing climate-related risks.(g) a reference to the applicable legal requirements relating to the environment;

IFRS

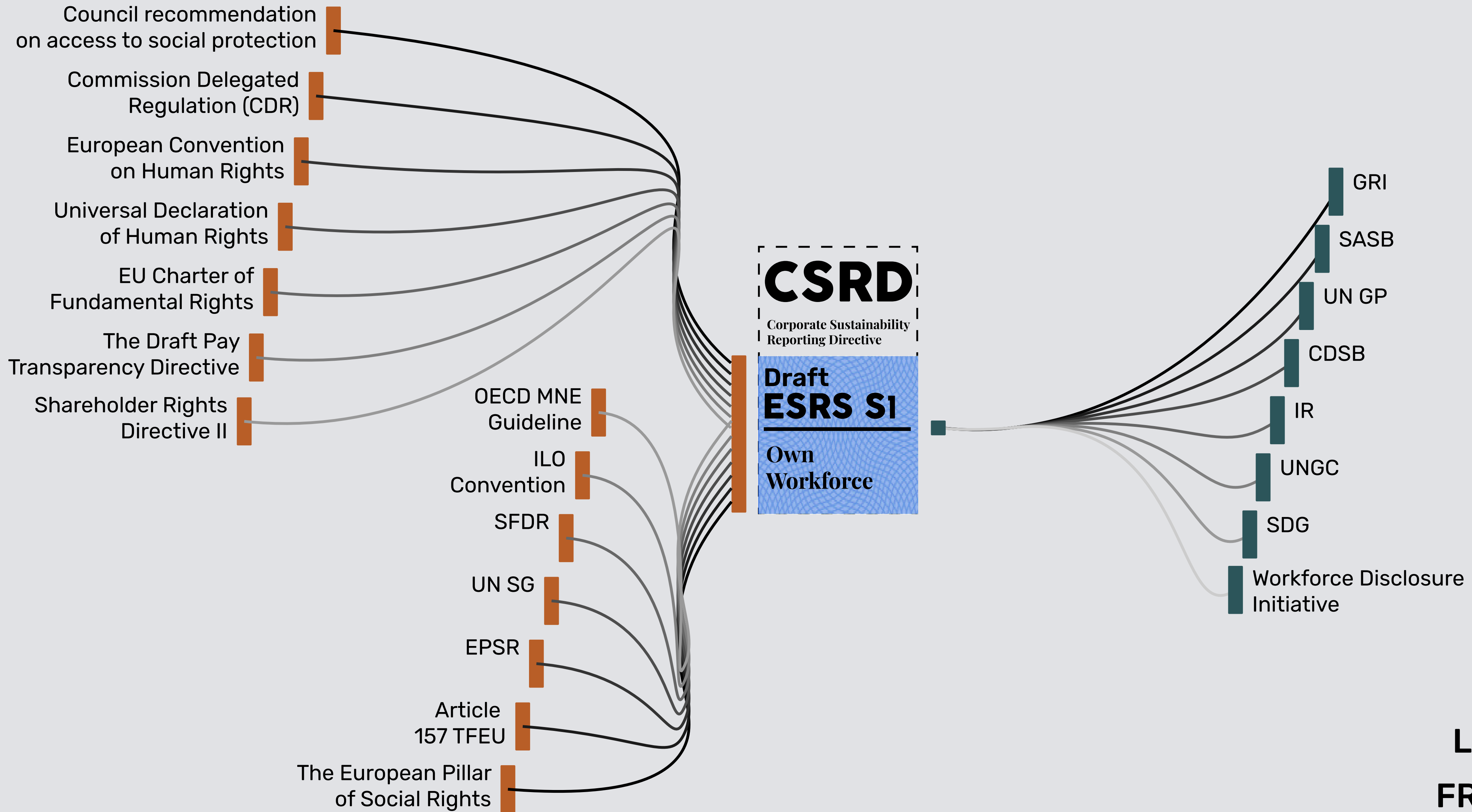
Text

7. The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant climate-related risks and opportunities.

8 (c) the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans (see paragraph 13);

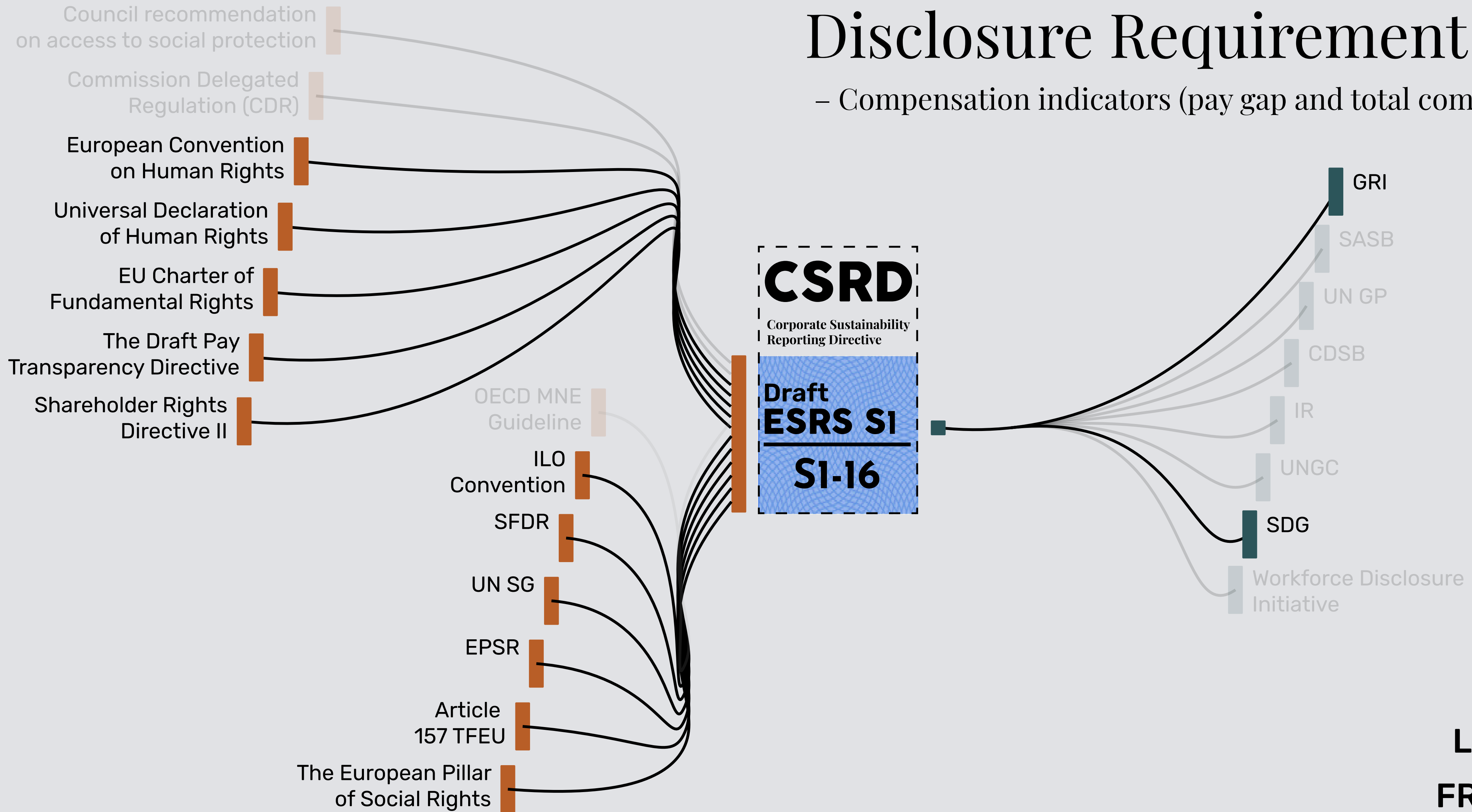
13 (a) An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans. Specifically, an entity shall disclose: (a) how it is responding to significant climate-related risks and opportunities including how it plans to achieve any climate-related targets it has set. This shall include: (...)

17 (d) To achieve this objective, an entity shall disclose: the process, or processes, it uses to monitor and manage the climate-related: (i) risks, including related policies; and (ii) opportunities, including related policies;



Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)



LEGISLATION
FRAMEWORKS

Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)

CSRD

Corporate Sustainability
Reporting Directive



**Draft
ESRS S1**

European Sustainability
Reporting Standards

Art. 29b, 2 b) i; Art. 29b, 2 b) iii; Art. 29b (2) (c) (i)

Article 29b

"The sustainability reporting standards shall ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a faithful manner. The sustainability reporting standards shall avoid imposing a disproportionate administrative burden on undertakings..."

"...(b) specify the information that undertakings are to disclose about the following social and human rights factors: (i) equal treatment and opportunities for all, ... (iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights..."

90 - *"...disclose the percentage gap in pay between women and men..."*

91 - *"...provide insight into the level of compensation inequality inside the undertaking and whether wide pay disparities exist."*

92 - *"...the difference between average gross hourly earnings of male paid employees and of female paid employees expressed as a percentage of average gross hourly earnings of male paid employees..."*

93 - *"...report an adjusted pay gap which accounts for other factors affecting pay..."*

94 - *"...figure adjusted for purchasing power differences between countries..."*

Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)

**Draft
ESRS S1**
European Sustainability
Reporting Standards

The undertaking shall disclose the **percentage gap in pay between women and men** and the **ratio between the compensation** of its highest paid individual and the median compensation for its employees.

UN UDHR

Article 23 (2)

Everyone, without any discrimination, has the right to equal pay for equal work.

ILO
Convention
110

“[...] principle of equal remuneration for men and women workers for work of equal value.

The European
Pillar of
Social Rights

Gender equality

Equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression.
Women and men have the right to equal pay for work of equal value.

The draft EU Pay
Transparency Directive

European Convention
on Human Rights,

EU Charter of
Fundamental Rights

Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)

**Draft
ESRS S1**
European Sustainability
Reporting Standards

The undertaking shall disclose the **percentage gap in pay between women and men** and the **ratio between the compensation** of its highest paid individual and the median compensation for its employees.

"%"



Disclosure 2-21 Annual total compensation ratio

The organization shall: report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees(excluding the highest-paid individual); a. report the ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual); b. report contextual information necessary to understand the data and how the data has been compiled. c. report contextual information necessary to understand the data and how the data has been compiled.



Disclosure 405-2 Ratio of basic salary and remuneration of women to men

The reporting organization shall report the following information:
a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.
b. The definition used for 'significant locations of operation'
Reporting recommendations
2.2 When compiling the information specified in Disclosure 405-2, the reporting organization should base remuneration on the average pay of each gender grouping within each employee category.



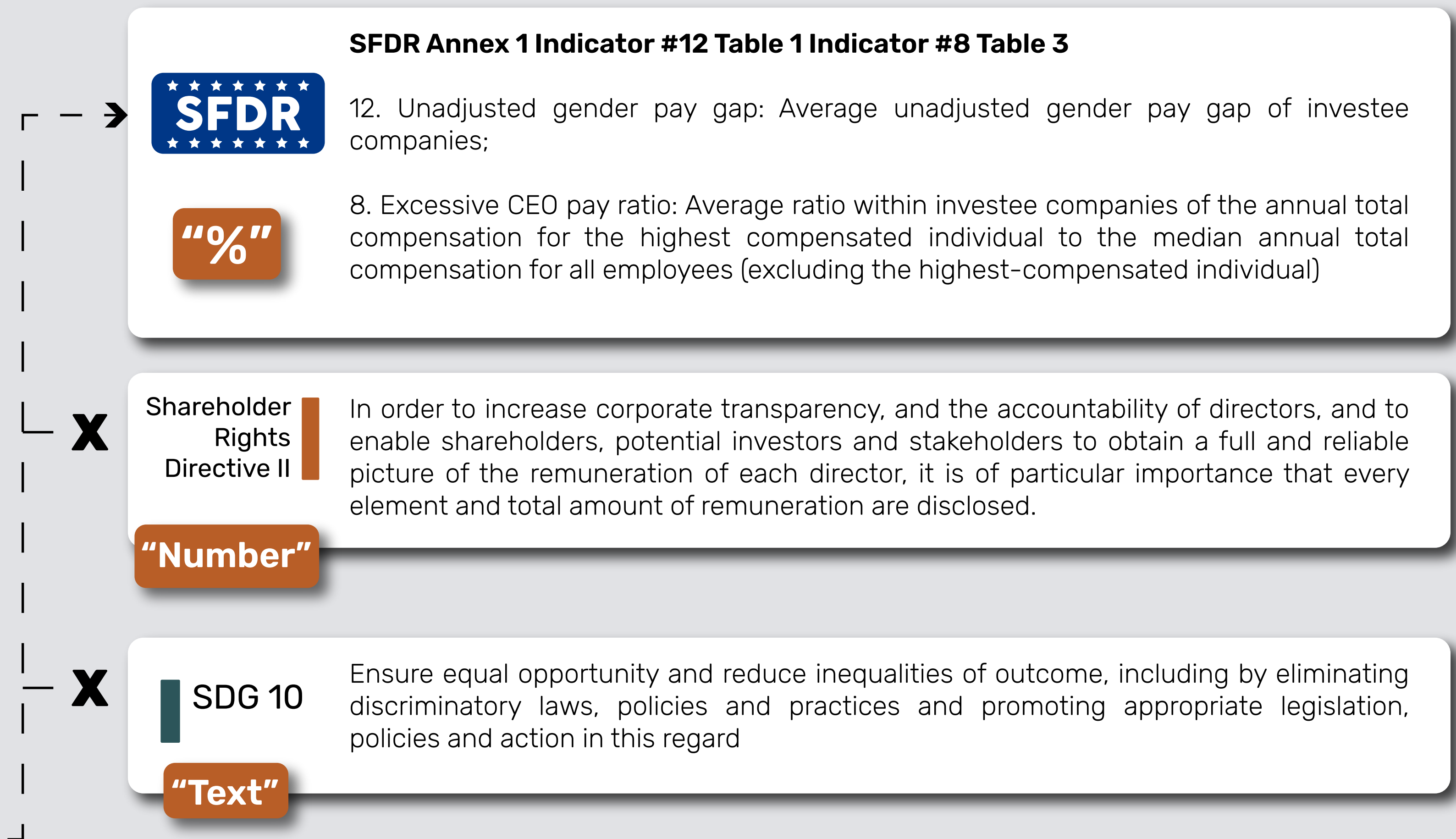
Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)

**Draft
ESRS S1**
European Sustainability
Reporting Standards

The undertaking shall disclose the **percentage gap in pay between women and men** and the **ratio between the compensation** of its highest paid individual and the median compensation for its employees.

"%"



Disclosure Requirement S1-16

– Compensation indicators (pay gap and total compensation)

**Draft
ESRS S1**
European Sustainability
Reporting Standards

The undertaking shall disclose the **percentage gap in pay between women and men** and the **ratio between the compensation** of its highest paid individual and the median compensation for its employees.

**Draft
ESRS S1**
European Sustainability
Reporting Standards

AR100

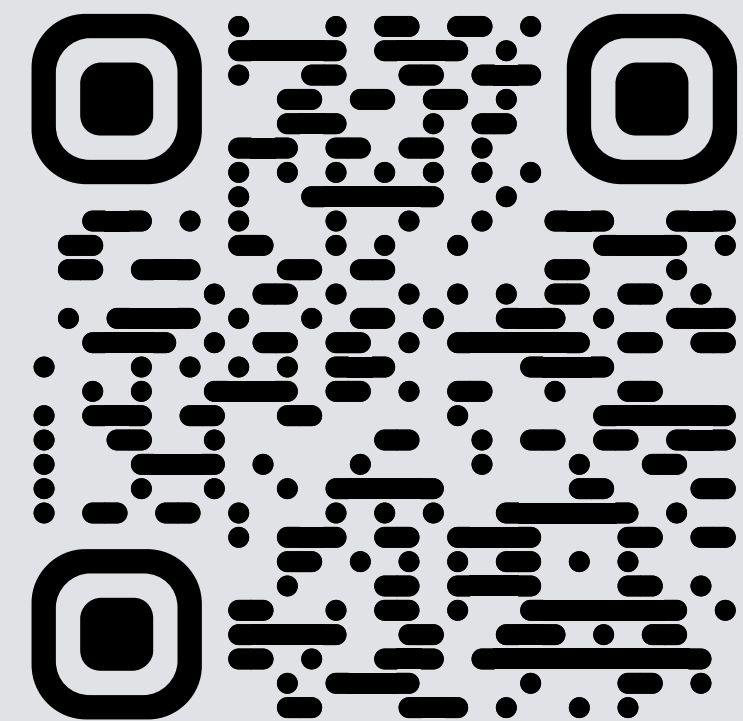
When compiling the information required under paragraph 86 (a) for the gap in pay between women and men (also known as the “male-female pay gap”) the undertaking shall use the following methodology:

- (a) include all employees’ gross hourly earnings; and
- (b) apply the following formula to calculate the male-female pay gap:

$$\frac{(\text{Average gross hourly earnings of male employees} - \text{average gross hourly earnings of female employees})}{\text{Average gross hourly earnings of female employees}} \times 100$$

THANK YOU

FOR YOUR ATTENTION



Anna Shpak

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