

États Généraux de la Recherche Comptable

1^{er} décembre 2023

MATIN

États Généraux de la Recherche Comptable

Séquence 1 : Normalisation internationale

Climate-related and Other Uncertainties in the Financial Statements

12^e États Généraux de la Recherche Comptable

Linda Mezon-Hutter, IASB Vice Chair
December 2023

Project overview

Project objective

Explore **targeted** actions to improve the reporting of **climate-related and other uncertainties** in the **financial statements**

[Link to project page](#)

March 2023

1

Project starts
(slides 3-6)

April–August 2023

2

Research, outreach and analysis
(slides 7-9)

September 2023

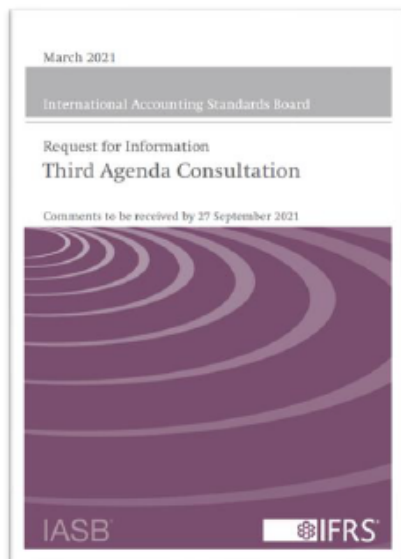
3

Decisions and next steps
(slides 10-12)

1 Project starts



Origins of the project



- In the IASB's Third Agenda Consultation, respondents attributed **high-priority** to a project on climate-related risks in the financial statements
- Concerns that information about climate-related risks in financial statements is:
 - **insufficient**
 - **inconsistent** with information reported elsewhere by the company

Focus of the project



- **Targeted actions** such as:
 - examples and educational materials.
 - targeted amendments to IFRS Accounting Standards.

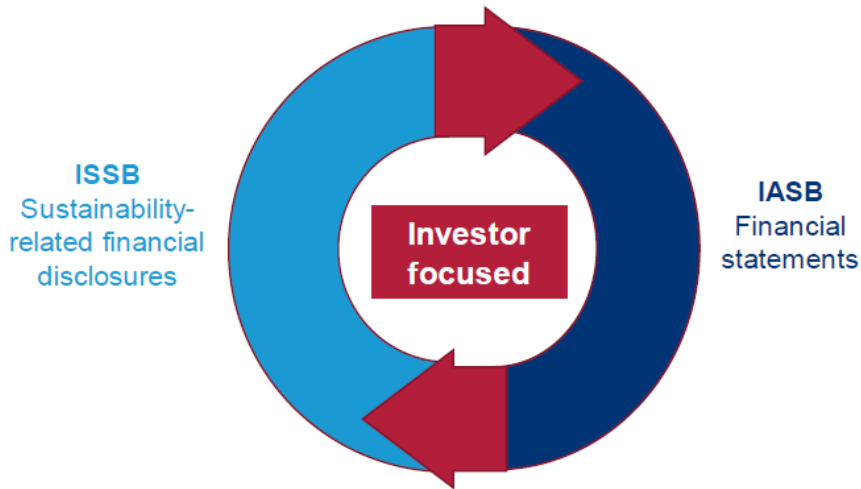


- This project will **not** seek to:
 - develop an Accounting Standard on climate-related risks;
 - broaden the objective of financial statements;
 - change the definitions of assets and liabilities; or
 - develop accounting requirements for pollutant pricing mechanisms.¹

¹ *Pollutant Pricing Mechanisms* is on a reserve list of projects that may be added to the IASB's work plan if stakeholders and the IASB have sufficient capacity.

How the IASB's project interacts with the ISSB's work

*This project and the work of the ISSB **complement** each other:*



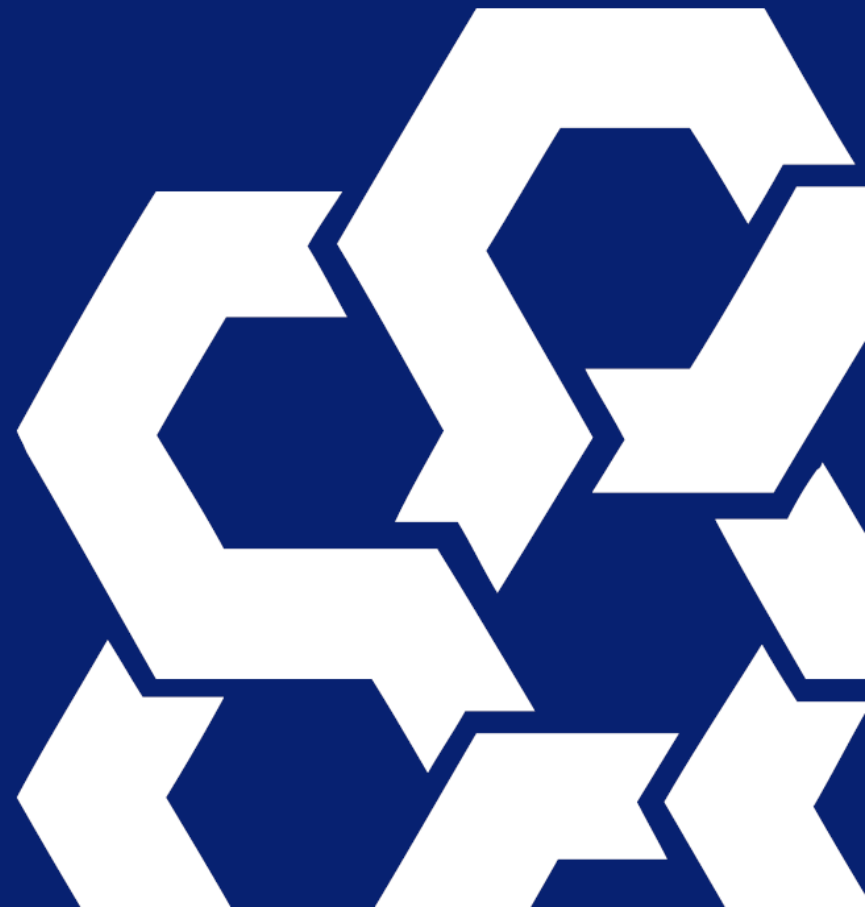
- Both boards focus on **investors'** information needs
- This project and the ISSB's work include consideration of **climate**-related matters
- Both boards seek to improve **connections** across reports – helps address concerns about inconsistencies in financial information

IASB project team **includes ISSB staff**

Roles of the Boards



2 Research, analysis and outreach

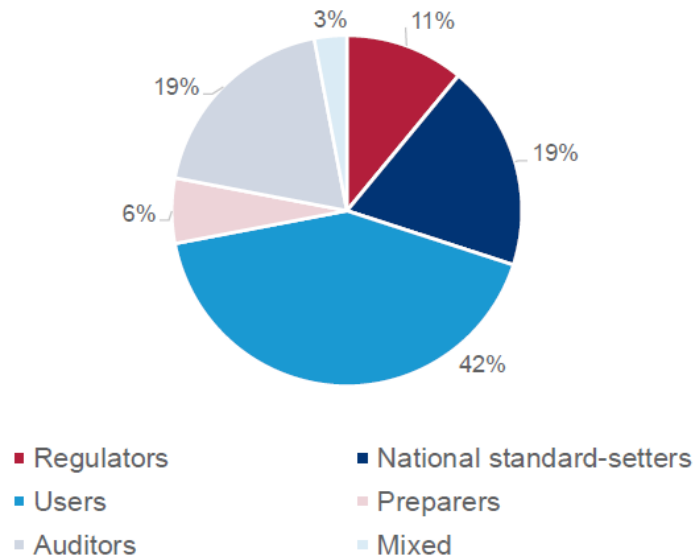


Summary of work

- **Engaged** with the IASB’s consultative bodies and other stakeholders*.
- **Reviewed** academic research and other publications.
- **Analysed** IFRS Accounting Standards for:
 - potential gaps;
 - unclear requirements; or
 - limitations

that may impede reporting on the effects of climate-related risks in the financial statements.

Outreach by type of stakeholder



* The first phase of this project focused on identifying the nature of user concerns with the financial statements. The next phase of this project will focus on how to address those concerns with greater focus on preparer experiences.

Summary of findings

Concerns

- **Insufficient** information about the effects of climate-related risks in the financial statements
- **Inconsistencies** between the information about climate-related risks reported in the financial statements and elsewhere

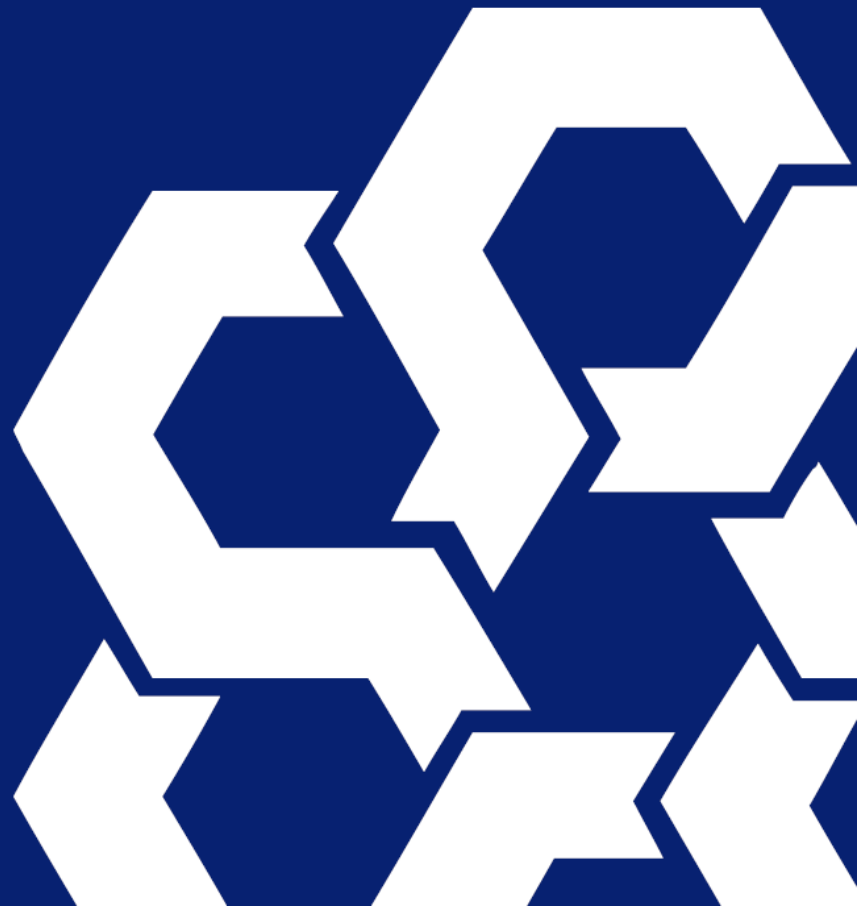
Standards generally sufficient

- Investor information needs might go beyond objective of financial statements
 - **Some information needs may be satisfied by sustainability-related financial disclosures**
- IFRS Accounting Standards generally sufficient in requiring useful information about effects of climate-related and other risks
 - However, there may be **challenges in application**

Evolving area

- Some **improvements** in recent years
- As sustainability-related financial disclosures evolve, they may better inform and improve compliance with IFRS Accounting Standards

3 Decisions and next steps



Decisions and next steps

Educational material

Explore development of **examples** to help improve application of IFRS Accounting Standards

Article about the role of financial statements

Translate and make more **visible** existing educational material
(see slide 12)

Standard-setting

Explore **possible targeted amendments** to improve disclosures about estimates in financial statements

- estimates require significant judgment
- IASB to assess whether standard-setting is feasible and helpful
- any amendments about uncertainties generally—not specific to climate¹

Other ongoing IASB projects may also help address concerns about accounting for climate-related matters

Interpretations Committee

- Respond to submission about recognition of **liabilities** for climate-related commitments
- Provide feedback to IASB about measurement of certain non-financial assets when testing for **impairment**

Meeting on
28-29 November

IASB will continue to monitor developments

¹ Project objective has therefore been generalised to cover other uncertainties in addition to climate.

Information on accounting for climate-related matters

Visit our project page

IFRS Accounting

ABOUT US | AROUND THE WORLD | ISSUED STANDARDS | APPLYING STANDARDS | PRODUCTS | NEWS & EVENTS | SERVICES | SUSTAINABILITY

Home > IFRS Foundation work plan > Climate-related and Other Uncertainties in the Financial Statements

Climate-related and Other Uncertainties in the Financial Statements

CURRENT STAGE	ABOUT	PUBLISHERS' EDUCATIONAL MATERIALS	SUPPORTING MATERIALS	CONSULTATION RESPONSES	PRESET HISTORY	PROJECT NEWS	MEETINGS
	About						

About

The purpose of this project is to explore whether and, if so, how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements.

In the Third Agenda Consultation, stakeholders expressed a view that efforts might:

- apply IFRS Accounting Standards inconsistently to the reporting of climate-related risks data in the financial statements; and
- disclose insufficient information in the financial statements about climate-related risks.

In response to that feedback, the IASB decided to add this maintenance project to its work plan, which will aim to:

- research the nature and causes of stakeholders' concerns about detail the reporting on climate-related risks; and
- consider whether and what actions might be needed.

In September 2021, after researching the nature and causes of concern related to the reporting in the financial statements on the effects of climate-related risks, the IASB decided to respond to stakeholder concerns by:

- developing the development of educational materials and articles (see supporting material);
- consulting on some matters with the IFRS Interpretations Committee;
- exploring possible illustrative examples; and
- exploring possible narrow scope standard setting in relation to disclosure about estimates.

To help raise awareness of requirements in IFRS Accounting Standards that can be applied to reporting on climate-related risks, translations of the IFRS Foundation's educational material on the effects of climate-related matters on financial statements will be published with other supporting materials as they become available.

This project complements the work of the International Sustainability Standards Board (ISSB), connecting the two sets of requirements for general purpose financial reporting. The IASB will consider the work of the ISSB to the extent that it applies to the financial statements.

[Link](#)

'Full IFRS' Educational Material (July 2023)

IFRS Accounting

Proposed July 2023

Educational material

Effects of climate-related matters on financial statements

In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS 13 General Presentation of Financial Statements (Amendments to IFRS Accounting Standards) (IFRS 13) and IFRS 14 Disclosures of Information about Financial Instruments (Amendments to IFRS Accounting Standards) (IFRS 14). The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024.



[Link](#)

IFRS for SMEs Accounting Standard Educational Material (May 2023)

IFRS for SMEs Accounting Standard

Educational material

July 2023


Effects of climate-related matters on financial statements prepared in accordance with the IFRS for SMEs Accounting Standard

This document provides educational material on the effects of climate-related matters on financial statements prepared in accordance with the IFRS for SMEs Accounting Standard. It includes information on the requirements of the IFRS for SMEs Accounting Standard and the IFRS for SMEs Accounting Standard (Amendments to IFRS Accounting Standards) (IFRS 13) and IFRS 14. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024. The amendments to IFRS 13 and IFRS 14 are effective for reporting periods beginning on or after 1 January 2024.

[Link](#)


Available in multiple languages

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)

États Généraux de la Recherche Comptable

Séquence 2 : Normalisation européenne

REFLECTIONS ON THE CONNECTIVITY BETWEEN FINANCIAL AND SUSTAINABILITY REPORTING

Paris, 1 December 2023

Wolf Klinz- EFRAG FRB Chair



TO BE ADDRESSED

- ABOUT THE PROJECT
- WHAT IS CONNECTIVITY?
- WHY A PROJECT ON CONNECTIVITY?
- HOW IS EFRAG APPROACHING THE PROJECT?



ABOUT THE PROJECT

ABOUT THE PROJECT

- Top ranked project during the 2021 EFRAG agenda consultation
- EFRAG FR project approved by EFRAG FRB in June 2022
- Scope and approach approved by EFRAG FRB and FR TEG in February 2023, input of EFRAG SR pillar (TEG, SRB and staff) is factored into the project
- Advised by a 22-person multi-stakeholder (preparers, users, regulators, auditors, academics) connectivity advisory panel that has met 3 times so far

OBJECTIVES



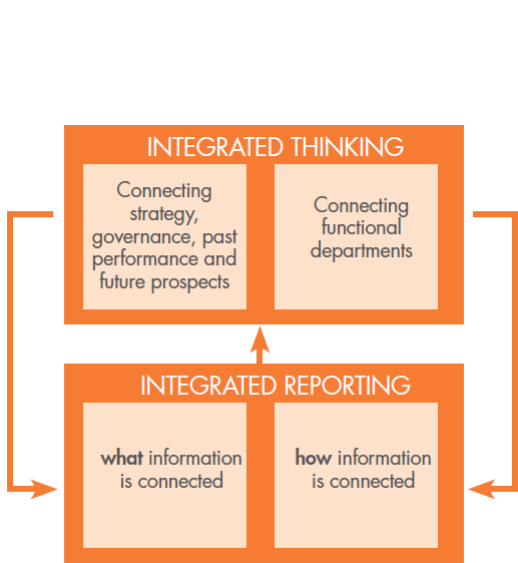


WHAT IS CONNECTIVITY?

Distinction: **current world:** connectivity- an ESRS and IFRS S1 requirement & a principle of IIRC
 integrated reporting framework vs
Future state of reporting: yet to be achieved Integration of reporting

Connectivity connotations for stakeholders under current reporting

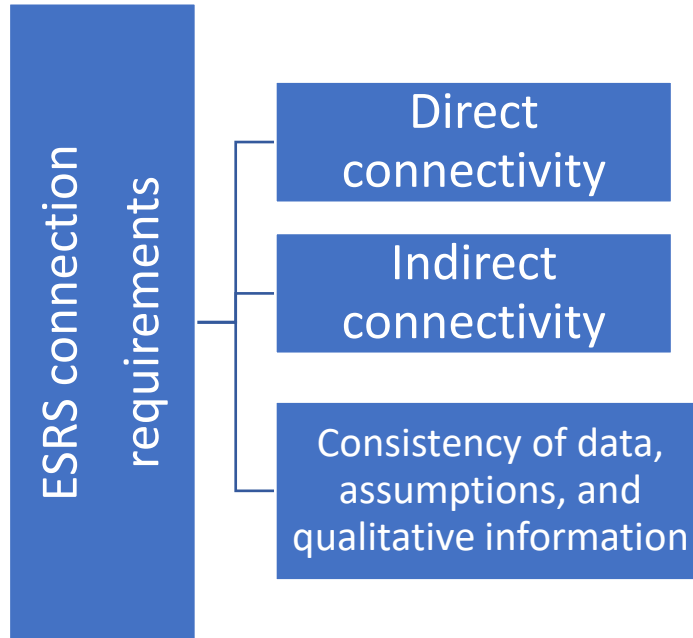
- Linkage of related information
- Consistency of overlapping information (assumptions, data, narrative info, terms)
- Coherence, complementarity (i.e., different reports telling full story)
- Fair presentation of FR and SR information (e.g., avoid greenwashing)
- Explaining significant difference in assumptions, data used
- Avoiding unnecessary duplications



Integration of reporting (a possible future state of reporting)

- Unified reporting framework (i.e., no separated financial statements and sustainability disclosures)
- May reflect externalities/impacts in financial statements (e.g. profit adjusted for environmental damages of a company)
- May call for rethink of current FR and SR boundaries
- EFRAG response to ISSB agenda consultation reflected that stakeholders do not view integration in reporting to be a priority

ESRS connection requirements

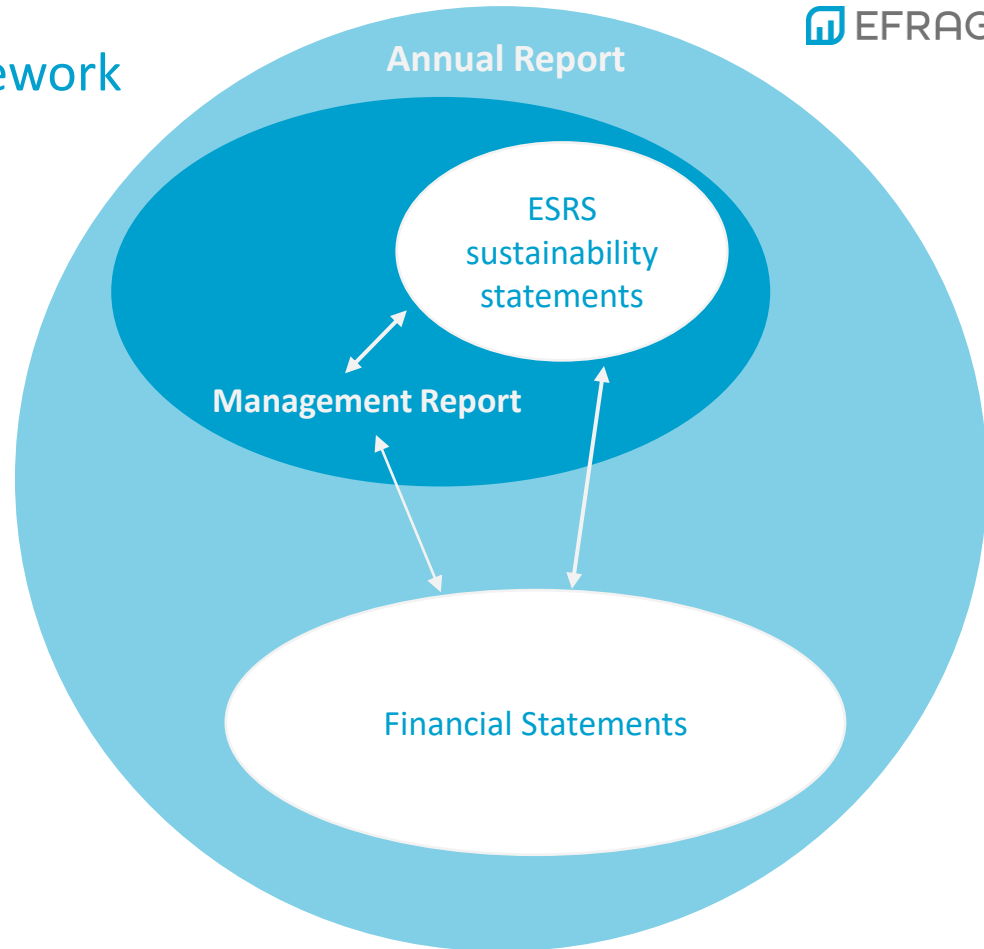


ESRS connection requirements- continued

- Direct connectivity: When the sustainability reporting includes monetary amounts or other quantitative datapoints [...] that are presented in the financial statements. (Example: revenue amount in GHG intensity metric can be directly linked to IFRS 15 revenue)
- Indirect connectivity: When the sustainability reporting includes monetary amounts or other quantitative datapoints [...] that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the entity's financial statements. (Example: reconciliation of revenue amount in GHG intensity metric to IFRS 15 revenue amount when it cannot be directly linked)
- Consistency of significant data, assumptions, and qualitative information included in its sustainability reporting and the financial statements (e.g., on assumptions in sustainability disclosures and those used in the impairment of assets (Property, Plant & Equipment and intangible assets)).

What is being connected? EU Framework

- Mandatory application of ESRS and location of sustainability information in a dedicated section of the Management Report
- ESRS sustainability statements under ‘double materiality’ lens (impact materiality + financial materiality)
- Entities in scope: large undertakings (IFRS and national GAAP applicants)



What is being connected? IFRS reporting architecture



Source: Slides used at the April 2023 IFRS Advisory Council Meeting



HOW WILL EFRAG APPROACH THE PROJECT?

EFRAG research project approach

**Phase 1: Operationalisation of connectivity under current reporting requirements-
Discussion Paper expected in 2024**

Conceptual scene setting

Why connectivity is important

Set common definitions (**what connectivity means for EFRAG project**)

Articulate distinctive objective roles of Financial statement management report and SR

Identify differences between FR and SR (**what cannot be connected**)

Identify user and other stakeholder needs and expectation

Identify disclosures that can be linked (**what can be connected**)

Practical application

Real world and proforma examples

Iterative process of example versus guiding principles development

Phase 2: Conceptualisation not restricted by current FR and SR boundaries

Explore integration of reporting

Align to work of ISSB

Scope to be defined at a later date

Scope of SR: ESRS and ISSB SR

Scope of FR: IFRS requirements

EFRAG will monitor and ensure the complementarity of its project with other related workstreams

- In September 2023, the IASB made its initial decision on project direction on the ‘Climate-related risks and Other Uncertainties in the Financial Statements’ project
 - Targeted amendments to IAS 1 related to estimation uncertainty,
 - Issue educational material and articles in the coming months
 - Possible IFRIC agenda decisions on IAS 36 *Impairment of Assets* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

- EFRAG will monitor scope of possible ISSB project on integration in reporting- **May affect scope of Phase 2 of EFRAG project**

- EFRAG will review and learn from October 2023 ESMA Report: [Disclosures of climate-related matters in the financial statements](#)- **The report has 22 illustrative examples**

- EFRAG will monitor other regulators (AMF, Norway) and national Standard Setters work on connectivity (Australia, Canada, Malaysia, New Zealand and UK)



RÉPUBLIQUE
FRANÇAISE

*Liberté
Égalité
Fraternité*



États Généraux de la Recherche Comptable

Séquence 3 : Reporting de durabilité et normes de durabilité au Japon



Sustainability Reporting and Sustainability Standards in Japan

Yasunobu Kawanishi
Chair

Sustainability Standards Board of Japan

The observations and comments made in this presentation are those of the presenter, and do not necessarily reflect the views of the Sustainability Standards Board of Japan.

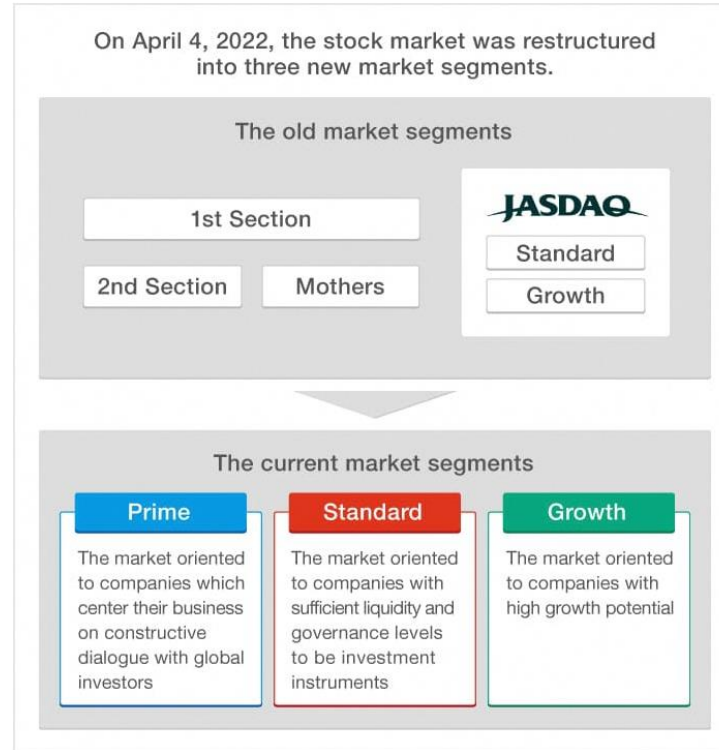


- 1. Sustainability Reporting in Japan**
- 2. The SSBJ and Sustainability Standards in Japan**
- 3. Japanese companies and ESRS**



Sustainability Reporting in Japan

Market Segmentation in Japan



Source: <https://www.jpx.co.jp/english/equities/market-restructure/market-segments/index.html>

Market Segmentation and Accounting Standards (Tokyo Stock Exchange)

- Nearly half of the listed companies on the Tokyo Stock Exchange are listed in the Prime Market
- These companies account for more than 95% of the market capitalization of the Tokyo Stock Exchange

(as of June 30, 2023)

Number of Companies				Market Capitalization (trillion JPY)			
(Total)	Prime	Standard	Growth	(Total)	Prime	Standard	Growth
3,813	1,833	1,442	538	843	811	24	8
	48.1%	37.8%	14.1%		96.1%	2.9%	1.0%
J GAAP	87.6%	98.8%	95.0%	J GAAP	48.8%	97.9%	91.0%
IFRS	12.1%	1.2%	5.0%	IFRS	48.8%	2.1%	9.0%
US GAAP	0.3%	N/A	N/A	US GAAP	2.4%	N/A	N/A

- The Japanese Corporate Governance Code states that:
 - ◆ All companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies
 - ◆ Companies listed on the Prime Market should enhance the quality and quantity of disclosure based on the TCFD recommendations or an equivalent framework

- ◆ Under Japanese securities laws, public companies are required to file an **Annual Securities Report (ASR)** annually with the securities regulator, the Financial Services Agency (FSA)
 - ◆ Public companies include:
 - ◆ Listed companies; and
 - ◆ Unlisted companies with more than 1000 shareholders
 - ◆ The ASR is a document that is to be prepared based on a specific template
 - ◆ ASRs are filed in XBRL format

- 🌱 In January 2023, the FSA introduced new rules to enhance sustainability disclosures in the ASR
 - ◆ The new rules are effective for ASRs covering fiscal years ending March 2023 and onwards

- 🌱 The new rules include the following:
 - ◆ Companies are required to disclose sustainability information **in a new section** within the ASR

 - ◆ In this new section, companies are required to disclose sustainability information based on the **4 components** of the **TCFD recommendations**
 - ❖ All companies are required to disclose **“Governance”** and **“Risk Management”**
 - ❖ Companies can apply materiality judgements for **“Strategy”** and **“Metrics and Targets”**

A vertical decorative border on the left side of the slide, composed of overlapping leaf shapes in various shades of green and yellow.



The SSBJ and Sustainability Standards in Japan

- ✦ In December 2021, the Financial Accounting Standards Foundation (FASF) announced the establishment of **the Sustainability Standards Board of Japan (SSBJ)**, effective July 1, 2022, as a sister Board to the Accounting Standards Board of Japan (ASBJ)
- ✦ Many of the bylaws of the SSBJ were copied from the bylaws of the ASBJ





- ◆ FSA regulations state that **accounting standards** that are developed by **an organisation** that meets **specified criteria** are considered to be part of **Japanese GAAP**
 - ◆ The **ASBJ** is the only organisation which the FSA confirmed to have met the criteria
 - ◆ The ASBJ's mandate is limited to **financial statements** - information **outside** the financial statements (including Management Commentary) is currently regulated by the FSA
- ◆ The FSA is currently in the process of introducing **a similar regulation** for **sustainability reporting in Japan**
 - ◆ The SSBJ will develop sustainability standards in accordance with the new regulation

Objectives

-  Develop Japanese sustainability disclosure standards
-  Contribute to the development of international sustainability disclosure standards

International Activities

-  Inaugural member of the Sustainability Standards Advisory Forum (SSAF)
-  Member of Jurisdictional Working Group (JWG)

Domestic Activities

-  Announced the SSBJ's **operational policy** in November 2022
-  Announced the SSBJ's **project plan for the development of Japanese standards** in January 2023

Operational Policy



- ◆ Ensure that SSBJ Standards are of **high-quality**
 - ❖ The resulting disclosures are **useful** to investors
- ◆ Ensure that SSBJ Standards **are aligned with international sustainability disclosure standards**
 - ❖ International sustainability disclosure standards include, but are not limited to, IFRS Sustainability Disclosure Standards
 - ❖ As ISSB Standards are developed to be GAAP-agnostic, SSBJ Standards will also be developed to be GAAP-agnostic

Projects

- ◆ In January 2023, based on the requests from Japanese stakeholders, the SSBJ decided to undertake the following projects to advance the development of standards as much as possible before the ISSB publishes its final standards
 - ◆ Development of an SSBJ standard equivalent to the **IFRS S1 Standard** (the SSBJ's **S1 project**)
 - ◆ Development of an SSBJ standard equivalent to the **IFRS S2 Standard** (the SSBJ's **S2 project**)

Target Dates for the SSBJ Projects

1	Exposure Drafts	During fiscal year 2023 (To be issued no later than March 31, 2024)
2	Final Standards	During fiscal year 2024 (To be issued no later than March 31, 2025)

-  The mandatory effective dates will be determined by the FSA
-  The standards will be available for **early application**, only if both S1 and S2 are applied at the same time

- ◆ The SSBJ expects to include most, if not all, requirements of the ISSB standards in the SSBJ standards
 - ◆ This is to enable companies to comply with ISSB standards by complying with SSBJ standards if they wish to do so
- ◆ The SSBJ may include practical expedients in the SSBJ standards
 - ◆ Those practical expedients will be acceptable under SSBJ standards, but may or may not be acceptable under ISSB standards

- ❖ **The SSBJ plans to develop Supplementary Material, which are non-authoritative, to assist companies in applying SSBJ standards**
 - ◆ **The SSBJ expects to add and update Supplementary Material over time**

- ❖ **The Supplementary Material can be classified in the following:**
 - ◆ **General information about sustainability reporting**
 - ◆ **Additional guidance on applying SSBJ standards (which may also be applicable to ISSB standards)**
 - ◆ **Additional guidance on applying SSBJ standards in the context of specific laws and regulations in Japan**



Japanese companies and ESRS

Who	When*
<ul style="list-style-type: none"> Companies previously reporting subject to the NFRD (large listed companies, large banks and large undertakings – if they have more than 500 employees) Large non-EU listed companies with more than 500 employees 	FY 2024
<ul style="list-style-type: none"> Other large companies, include other large non-EU listed companies 	FY 2025
<ul style="list-style-type: none"> Listed SMEs, including non-EU listed SMEs 	FY 2026**
<ul style="list-style-type: none"> Non-EU companies that generate over EUR 150 million per year in the EU and that have in the EU either a branch with a turnover exceeding EUR 40 million or a subsidiary that is a large company or listed SME*** 	FY 2028

* The first sustainability statement will be published the following year.

** Listed SMEs may decide to opt out of the reporting requirements for a further two years.

*** Separate standards will be adopted specifically for these companies.



- 🌱 **Some Japanese financial institutions will apply ESRS from FY 2024**
- 🌱 **Many Japanese companies that are likely to apply ESRS for non-EU companies are highly interested in whether and if so how they will differ from ESRS for EU companies**
- 🌱 **Many Japanese companies that are likely to apply ESRS for non-EU companies are asking for interoperability**
 - 🔹 **With both ESRS and SSBJ standards seeking interoperability with ISSB standards, interoperability between the two will be achieved to a certain extent**
- 🌱 **While SSBJ standards focus on single materiality, many Japanese companies voluntarily adopt GRI standards, which should help those companies apply ESRS**



États Généraux de la Recherche Comptable

Séquence 4 : Convergence des reporting de durabilité

Sustainability Reporting: Is Convergence Possible?

Based on an article published in *Accounting in Europe* (2023)
(Disclaimer: article written a year ago)

Hervé Stolowy

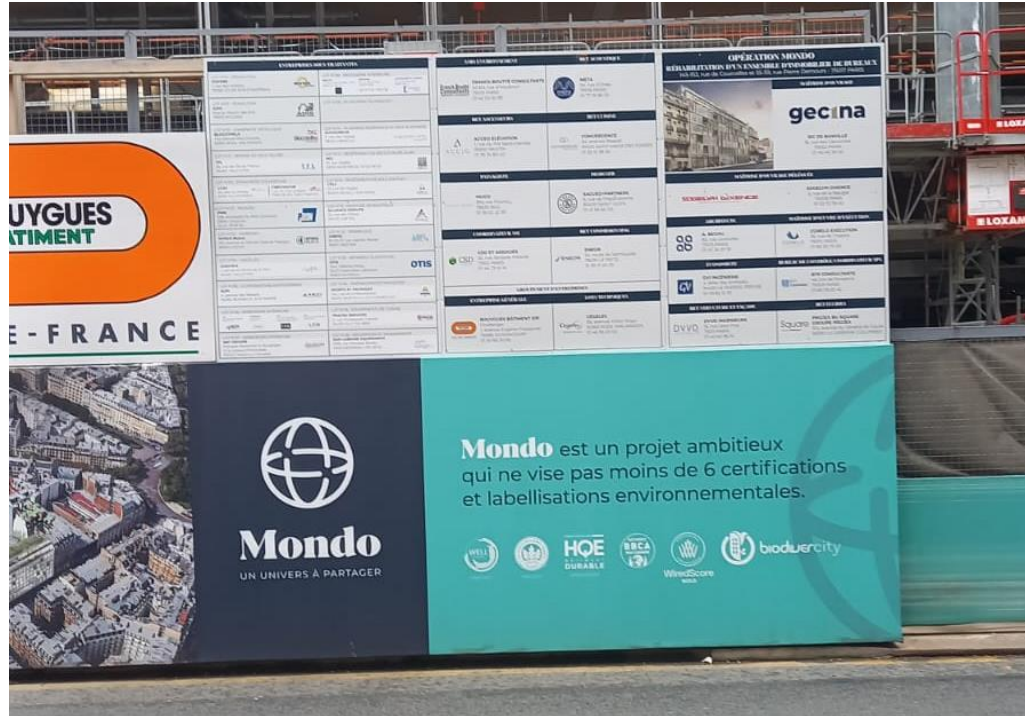
HEC Paris

Luc Paugam

HEC Paris

Mazars chair for Purposeful Governance

Picture taken in Paris on a building in construction



Mondo est un projet ambitieux
qui ne vise pas moins de 6 certifications
et labellisations environnementales.



biodiversity

WiredScore
GOLD

Example of CSR reporting

Frameworks disclosed by a Leading French Oil and Gas/Energy group in its corporate reporting

Reportings

also refers to international reporting standards and publishes dedicated index tables:



Executive summary

Four factors limiting the likelihood of convergence in corporate sustainability reporting:

- ***Heterogeneity of concepts*** and definitions surrounding sustainability
- ***Large number of organizations*** claiming legitimacy in sustainability reporting
- ***Diversity of reporting requirements*** among three influential international standard setters (i.e., EFRAG, ISSB, SEC), leading to various corporate reporting choices
- ***Diversity in the objectives*** of standard-setting organizations

Conclusion:

Probability of convergence appears limited, at least in the short term, although we identify progress in carbon emissions reporting

Diversity of Definitions and Concepts Surrounding Sustainability

At three levels:

(1) across standard-setting organizations

- E.g., SASB (financial materiality), GRI (double materiality), A4S
- No definition per se in ISSB and EU texts (“sustainability reporting”)

(2) within standard-setting organizations over time

- E.g., SASB (2013) \neq SASB (2017), EU (NFD 2014) \neq EU (CSRD 2022)

(3) among firms reporting sustainability information

- E.g., sustainability reporting, sustainability corporate social responsibility reporting, integrated report, integrated reporting, and non-financial reporting

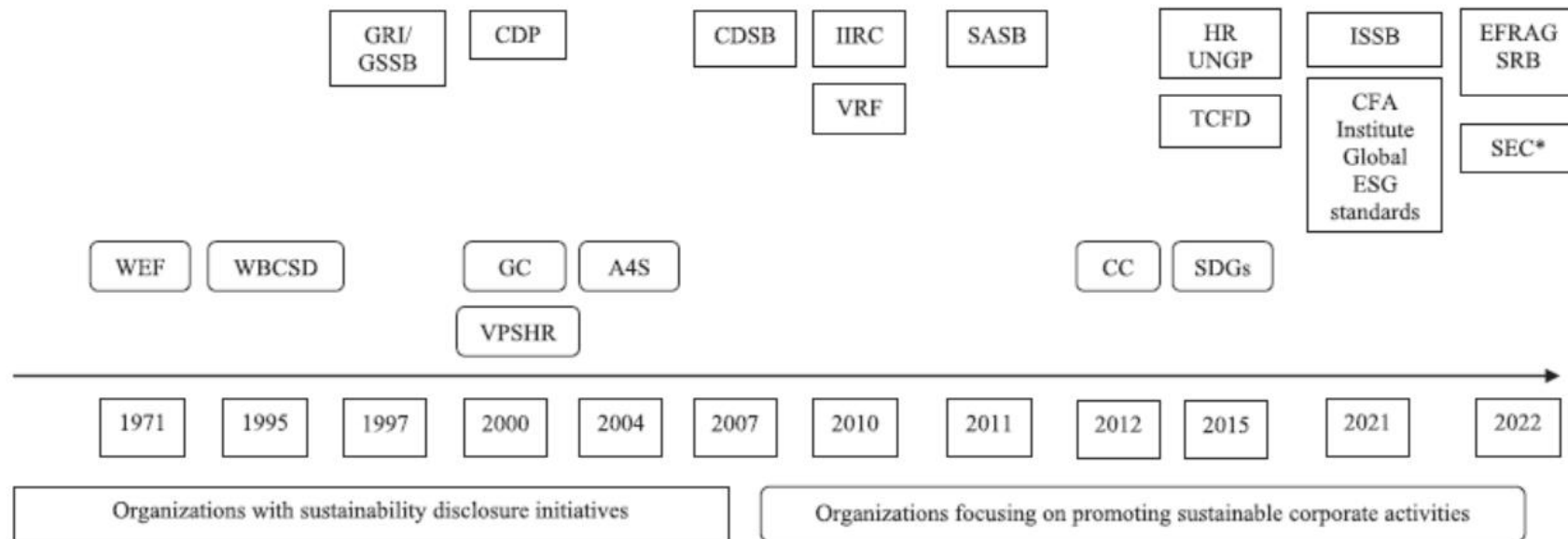
Diversity of Organizations

Table 2 = list and description of the organizations involved in sustainability

- Panel A = organizations with sustainability reporting initiatives
 - => 12 organizations
- Panel B = organizations focusing on promoting sustainable corporate activities
 - => 7 organizations

Abundance of organizations => shopping around organizations and various sustainability concepts to fit a corporate narrative

Diversity of Organizations



*The SEC proposal builds on the Commission's previous rules and guidance on climate-related disclosures, which date back to the 1970s (SEC, 2022, p. 13).

Diversity of Reporting - Requirements

According to A4S (2022, p. 4):

- a recent assessment of the regulatory landscape identified 614 reporting requirements or 'instruments' across 84 countries

EU initiative with EFRAG

- Corporate Sustainability Reporting Directive (CSRD) (2022)

IASB initiative with ISSB - Adoption in June 2023 of:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

SEC initiative

- Proposal to enhance and standardize climate-related disclosures for investors (2022)

Diversity of Reporting - Practices

Diversity of practices through corporate report issuance strategies => names of CSR reports

- 5,441 corporate reports containing sustainability reporting for an international sample of firms ranked by S&P Dow Jones (DJSI) over 2018 to 2020
- Illustrative list of **31 different report names used in practice**

(See: Durand, Madelaine, Paugam and Stolowy, 2022)

Diversity of practices through corporate report issuance strategies => number of reports shows diversity in compliance with sustainability reporting standards

- Reference to different standards (see the introductory image)

Diversity of Objectives

Different objectives regarding sustainability reporting.

- Some organizations focus specifically on only certain dimensions of sustainability:
 - CDP => on carbon disclosure
 - SEC proposal => environmental matters only
- Other organizations have the broader objective of providing standards for all sustainability matters (e.g., GRI, SASB, ISSB, EU-EFRAG)

Debate (opposition)

- Single (financial) materiality (ISSB) vs. double (impact) materiality (EU)

Conclusion

Multiplicity of organizations and standards:

- Legitimacy of organizations
- Effectiveness of standards
- Increase in processing costs for stakeholders
- Regulatory arbitrage opportunities
- Opportunities for the management of legitimacy, as compliance with standards can be used as a stamp of approval

To finish on a positive note: one exception in sustainability reporting convergence

- GHG emissions disclosures

Thank you

Convergence des reporting de durabilité

Discussion par Eric Duvaud

La nature des normalisateurs explique certaines divergences, mais la convergence sur le climat est en bonne voie



US SEC & Californie

Rules to Enhance and Standardize Climate-Related Disclosures

Nature du normalisateur

Juridiction fédérale et juridiction étatique (Californie)

Périmètre d'application

Entreprises cotées (Californie couvrant entreprises cotées et non cotées)

Statut des normes

Projet SEC de réglementation (02/2022)

California Climate Bills (10/2023)

Nombre de normes

1 spécifique sur le climat (y.c. informations dans les états financiers)



Commission européenne + Parlement UE + Conseil UE

European Sustainability Reporting Standards (ESRS)

Association de droit belge mandatée par une juridiction au service de l'intérêt général

Entreprises cotées et non cotées, PME cotées, entreprises non-européennes

Réglementation entrée en vigueur : obligatoire avec audit (21/10/2023)

2 générales et 10 spécifiques sur l'environnement (y.c. *climat*), social/sociétal et gouvernance



IFRS (International Financial Reporting Standards) Foundation

IFRS Sustainability Disclosure Standards

Fondation de droit privé au service de l'intérêt des investisseurs

Entreprises cotées

Référentiel d'application volontaire en attente d'adoption par des juridictions : global baseline (30/06/2023)

1 générale et 1 spécifique sur le climat

La convergence est en marche même si elle ne pourra pas être parfaite

- Apports de la CSRD et des ESRS :
 - Convergence entre Etats Membres
 - Portée extra-territorial avec les standards pour les entreprises non européennes
- Apports de l'ISSB:
 - Fusion SASB, IIRC, CDSB, TCFD → simplification du paysage
 - Contribution technique limitée (impacts issus de TCFD, effets financiers pas approfondis)
- Divergences culturelles sur le social et de maturité ESG à respecter → convergence parfaite impossible, mais besoin d'une base commune minimale
 - convergence sur le climat presque aboutie si IFRS S2 adoptée, même si probablement trop granulaire sur les impacts pour être adopté globalement;
- Objectifs européens:
 - intégrer la global baseline (IFRS) pour éviter un double reporting
 - montrer la voix pour entrainer d'autres juridictions vers le haut donc soutien à l'adoption des IFRS partout dans le monde

L'UE défend sa souveraineté face aux IFRS et ambitionne d'entraîner les autres juridictions

ISSB (normes volontaires)

ESRS (normes obligatoires soumises à audit)

Matérialité

Matérialité simple : Finance

Double matérialité : Impact + Finance

Exemples de différences sur le climat

Energie

/

Consommation d'énergie et mix énergétique

Social

/

Impacts sociaux des plans de transition climat

Objectifs climatiques

Préciser si l'objectif de réduction est brut ou net
 Pour les objectifs nets, détailler l'utilisation prévue de crédits carbone

- **Objectifs de réduction uniquement en brut (avant utilisation de crédits carbone)**
- Valeurs cibles alignées sur 2030 et 2050 sur des intervalles de 5 ans pour planifier et suivre les leviers de décarbonation et les ressources allouées
- Indiquer la compatibilité des plans de transition avec 1.5°C

- **EFRAG/ISSB:** EFRAG considère que toutes les informations requises par les standards IFRS sont incluses dans les ESRS; Volonté commune de publier un document commun début 2024 : implementation guidance on interoperability (EFRAG) vs educational material (ISSB).
- **EFRAG/GRI:** joint statement du 04/09/2023



EFRAG-GRI JOINT STATEMENT OF INTEROPERABILITY

Enabling the closer cooperation during the development of the IFRS Sustain-ability reporting Standards (ISSB) IFRS Sustain-ability reporting Standards and a range of interoperability between their respective standards to reduce the reporting burden on companies reporting to a variety of stakeholders (investors, customers, employees, regulators, etc.)

In meeting with the requirements formulated in the IFRS Sustain-ability reporting Standards and to take account of existing standards, the IFRS have adopted the same approach for aligning companies to IFRS Sustain-ability reporting Standards with the ESRS. However, the ESRS allow companies to report to a wider range of stakeholders. This aligns with the IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards.

Enabling the closer cooperation during the development of the IFRS Sustain-ability reporting Standards and a range of interoperability between their respective standards to reduce the reporting burden on companies reporting to a variety of stakeholders (investors, customers, employees, regulators, etc.)

The IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards are developed in a way that ensures the reporting burden on companies reporting to a variety of stakeholders is reduced.

The IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards are developed in a way that ensures the reporting burden on companies reporting to a variety of stakeholders is reduced.

The IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards are developed in a way that ensures the reporting burden on companies reporting to a variety of stakeholders is reduced.

The IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards are developed in a way that ensures the reporting burden on companies reporting to a variety of stakeholders is reduced.

The IFRS Sustain-ability reporting Standards and the ESRS Sustain-ability reporting Standards are developed in a way that ensures the reporting burden on companies reporting to a variety of stakeholders is reduced.

États Généraux de la Recherche Comptable

Table ronde 1 : Opérationnalisation du reporting de durabilité



ANC 12^e Etats Généraux de la Recherche

Retour d'expérience EY sur le reporting de durabilité

1^{er} décembre 2023



AGENDA



- 1 Introduction
- 2 How do companies address CSRD today?
- 3 With what governance?
- 4 Double materiality and gap analysis first results
- 5 What are the main challenges faced by our clients?
- 6 What is ahead for finance and accounting functions?
- 7 To go Further



1

Introduction

EY, an independent, multidisciplinary firm pioneering sustainable development for over 25 years

45 countries

3 500+
Consultants dedicated
to *Sustainability*
worldwide

200+
Consultants in France

A one-stop shop approach within EY. Sustainability is present in all our departments to assist our clients in all their issues:

1

Sustainable business strategy

- ▶ Strategy and business model
- ▶ Non-financial performance management
- ▶ Measure of impact and long-term value
- ▶ Sustainable governance

3

Sustainable products, brands and supply chains

- ▶ Sustainable brands
- ▶ Eco-design of products and packaging
- ▶ Resilient and sustainable sourcing strategy
- ▶ Duty of care and human rights
- ▶ Traceability
- ▶ Onboarding buyers and suppliers

2

Climate risks and decarbonization

- ▶ Climate strategy
- ▶ Green energy purchasing and financing
- ▶ Energy efficiency
- ▶ Cleantech policies

4

Sustainable finance and ESG reporting

- ▶ Green taxonomy
- ▶ Green financing
- ▶ Non-financial ratings
- ▶ Reporting, communication and verification of non-financial information (NFRD, European CSRD)

Green Quadrant For ESG And Sustainability Consulting 2022



EY recognized as leading provider of CSR consulting services by Verdantix (independent UK research and consultancy firm)

Digital enablers for CSRD implementation

CSRD readiness

ESG Suite

The ESG Suite is a comprehensive solution to deliver all elements needed for ESG readiness, especially on the ESRS Framework.

- ✓ Hosting the standards as knowledge repository
- ✓ Screening ESRS requirements and assessing the status quo
- ✓ Assessing double materiality under CSRD
- ✓ Managing ESRS requirements and identifying existing gaps



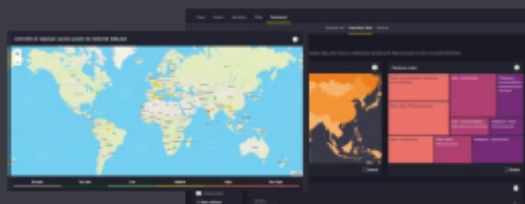
Climate tools

EY CAP

A tool to measure and quantify physical risks and transitional risks, assessing the financial effects faced by all your assets according to different climate scenarios and assumptions of carbon price, etc.

Decarbonization tool

A tool facilitating the construction of a decarbonization pathway, including *GHG abatement actions catalog, carbon and cost elements, decarbonization roadmaps, and SBTi Net Zero alignment.*



Other topical tools

EY NAT

A tool that provides on-demand granular nature-related analyses at asset and corporate levels.

- ✓ Intersection analysis with +20 nature-related maps.
- ✓ A sector-specific methodology.
- ✓ A global coverage.



EY Databases

Quantified databases to objectify the Group's performance (sustainable supply chain, climate risk mitigation and adaptation, decarbonization pathway, biodiversity, etc.)



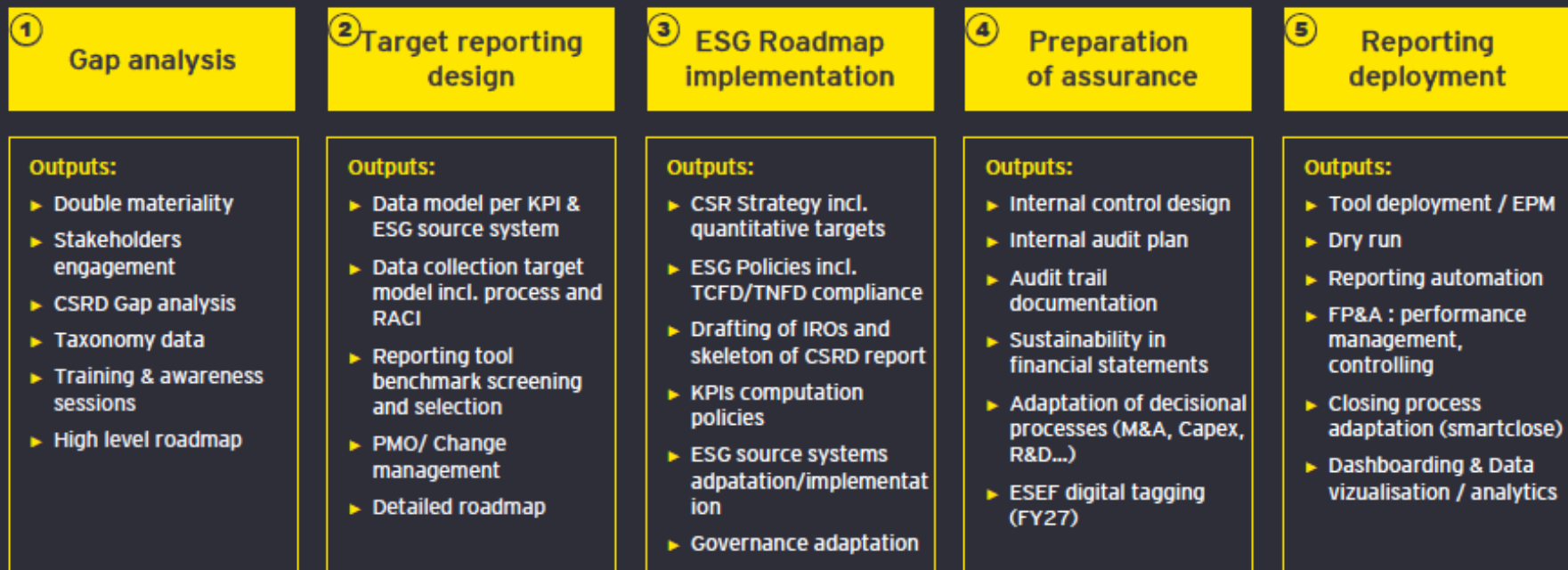
2

How do companies address
CSRD today ?

5 steps to structure an end-to-end CSRD reporting project

...combining the skills of finance and sustainability teams

← 2023 / 2024 → 2024/2025 →





3

With what governance?



Increasing involvement of Board members

EY Source : extract from the « Panorama 2023 de la gouvernance » (public data, scope SBF120, FY 2022)

88% OF BOARDS

Declare having a supervision or validation role, overall or partial, over CSR policies

66% OF COMPANIES

That have a CSR committee have common members with the audit committee

54% OF COMPANIES

That have common members between CSR committee and audit committee have a homogeneous methodology for ERM and ESG risk management, against 47% for other companies



4

Double materiality and gap analysis first results

REX DMA : 65% of material Sustainability Matters on average

Materiality of sustainability matters by company

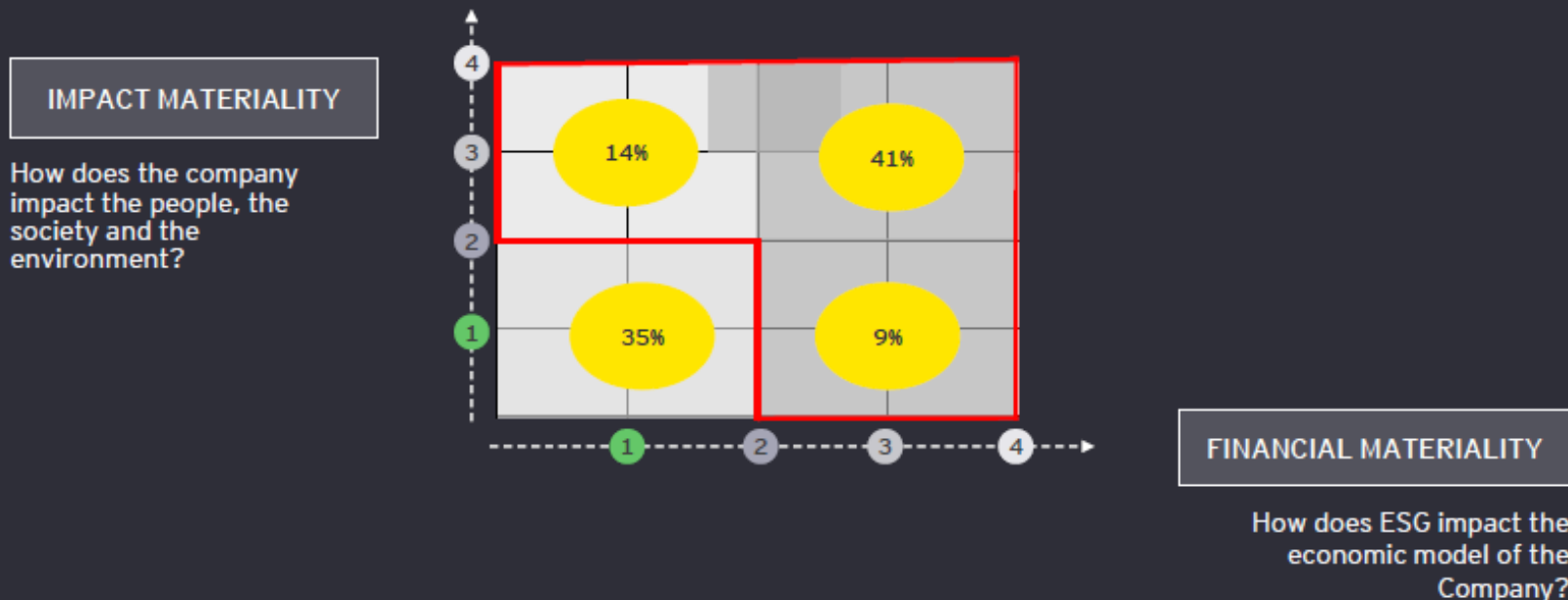
Based on a small panel of 10 French clients (mix of CAC40, SBF250 and below) => not representative !

Industry	Material SM	Non material SM	Total	% Material
Energie	35	2	37	95%
Life Sciences	28	10	38	74%
Agroalimentaire	32	12	44	73%
Industrie	30	9	39	77%
Automobile	28	13	41	68%
Transport	25	17	42	60%
Industrie	21	19	40	53%
Industrie	22	18	40	55%
Services	24	15	39	62%
Services	13	26	39	33%
Average	26	14	40	65%

REX DMA : Impact and financial materiality contribute quite similarly

Materiality of sustainability matters by axis

- ▶ Based on a small panel of 10 French clients (mix of CAC40, SBF250 and below) => not representative !



REX DMA : ESRS E1, E5, S1, S2 and G1 are systematically material in our non-representative panel

Materiality of sustainability matters by ESRS

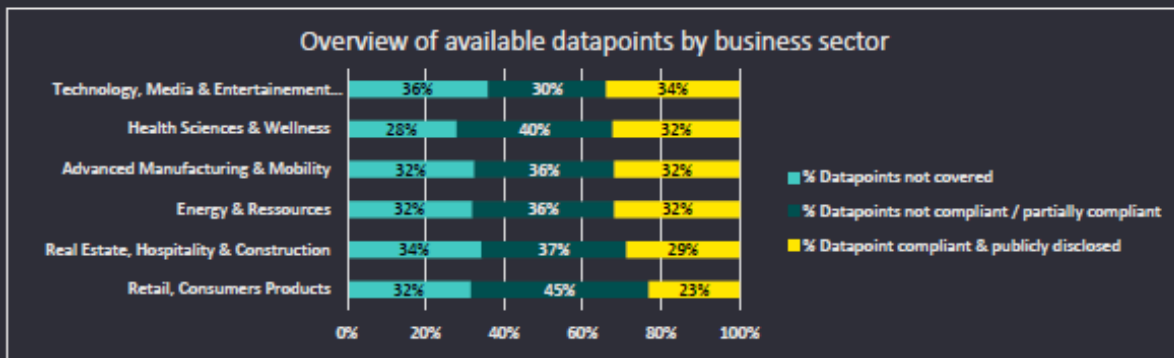
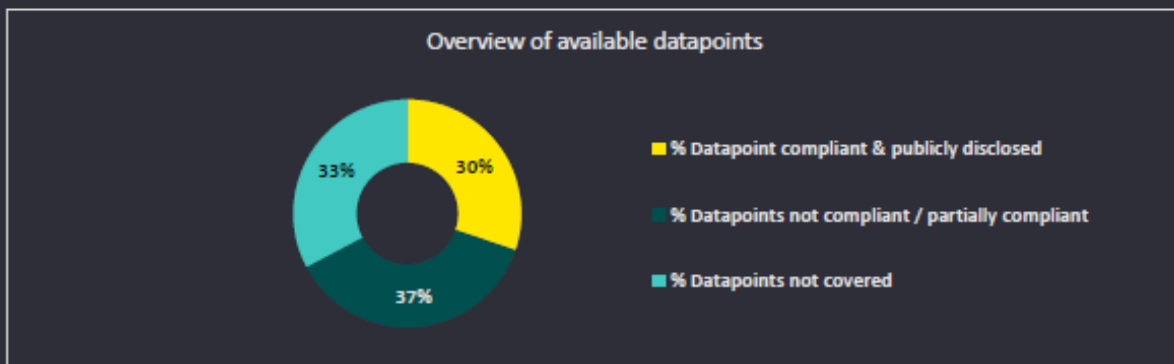
- ▶ Based on a small panel of 10 French clients (mix of CAC40, SBF250 and below) => not representative !

ESRS	% Material
ESRS E1 - Climate change	100%
ESRS E2 - Pollution	90%
ESRS E3 - Water and marine resources	90%
ESRS E4 - Biodiversity and ecosystems	80%
ESRS E5 - Circular economy	100%
ESRS S1 - Own workforce	100%
ESRS S2 - Workers in the value chain	100%
ESRS S3 - Affected communities	50%
ESRS S4 - Consumers and end-users	80%
ESRS G1 - Business conduct	100%



REX gap analysis

Almost 1/3 of data points are already public, and another 1/3 of them exist at least partially





5

What are the main challenges faced by our clients?

This is not "business as usual"

New regulations...

...with more detailed requests...

...that require to drive several workstreams in parallel

Taxonomy

Obligation to publish 'green' turnover, OPEX, CAPEX

Double materiality analysis



In-depth reporting structured in ESRS and disclosure requirements (DR), some of which are mandatory

Environmental	Social	Governance
1. Climate Change	10. Labour Practices	11. Business Ethics
2. Pollution	12. Diversity & Inclusion	12. Governance
3. Water & Marine Resources	13. Human Rights	13. Anti-Corruption & Bribery
4. Biodiversity & Ecosystems	14. Collective Bargaining	14. Sustainability
5. Circular Economy	15. Trade Union Rights	15. Sustainability
6. Contaminants	16. Supplier Relations	16. Sustainability
7. Resource Use & Efficiency	17. Supplier Relations	17. Sustainability
8. Greenhouse Gas Emissions	18. Supplier Relations	18. Sustainability
9. Energy	19. Supplier Relations	19. Sustainability

Taxonomy eligibility and alignment reporting

CSRD

Extensive obligation on ESG standardized information

A new governance of non financial data



Acculturation of teams: finance, HR, purchase, compliance, CSR

Evolution of reporting and IT systems



Update of policies and action plans

Mobilization of additional resources



CSRD vs. DPEF : companies are facing significant changes in the nature of data to produce... .. and to audit

- 1 Many quantitative data.... but even more qualitative ones
- 2 A gradual increase of the quantity of data to produce and disclose
- 3 3 time horizons
- 4 Both physical, transactional and estimated data
- 5 Data coming from internal and external sources
- 6 Internal control processes required



6

What is ahead for finance and accounting functions?

We have identified at least 4 key issues for CFOs in the coming year for CSRD implementation

1 ESG governance

- ▶ Overall governance of ESG performance analysis and data approval
- ▶ Respective roles of Board committees (e.g. audit and CSR)

2 ESG targets and dashboarding

- ▶ Alignment of CSRD disclosures with internal targets and policies
- ▶ Alignment of decision processes and bonuses with targets and policies

3 Data and reporting model

- ▶ Respective roles of finance and Sustainability teams
- ▶ IT for ESG data
- ▶ RACI for data collection, control and consolidation

4 Climate risks analysis

- ▶ Financial risk exposure assessment
- ▶ Board conversations on business adaptation
- ▶ Link with financial disclosures and statutory audit (impairment tests, etc.)



7

To go further

Publicly available material from EY (selection)

EY regularly publishes studies, position papers and events to share knowledge and experience on CSRD & non-financial reporting issues

Webcasts

- ▶ Replay webcast RDV EY / Sustainability reporting (Oct 12, 2023)
- ▶ Replay webcast CSRD / Reporting du durabilité (March 16, 2023)

Thought leadership & studies

- ▶ Panorama EY de la Gouvernance (ESG focused)
- ▶ Etude DPEF du SBF120 MEDEF + EY + Deloitte
- ▶ Baromètre EY sur la Taxonomie
- ▶ Panorama EY de la Biodiversité

Thought leadership



How can boards strengthen governance to accelerate their ESG journeys?



When will Climate change Disclosures start to impact decarbonization?



EY EU Taxonomy Barometer 2022



Panorama Gouvernance



Why CFOs are key to a sustainable future?

Events & webcasts





**THANK YOU
MERCI**



Building a better
working world

Retour à 13h45