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EFRAG Releases Study on Early Implementation of ESRS: Insights from Selected EU Companies for Q2 2024

1.0 Background

On 25 July 2024, the European Financial Reporting Advisory Group ("EFRAG") published a [Study on Early Implementation of European Sustainability Reporting Standards \("ESRS"\): Insights from Selected EU Companies for Q2 2024](#).¹ The intent of this study is to provide an overview of emerging practices observed, as at Q2 2024, in the initial stage of implementing the Corporate Sustainability Reporting Directive ("CSRD") and the European Sustainability Reporting Standards ("ESRS"), also with a view to highlight the identified related challenges.

The study purposefully focuses on a small number of larger undertakings, due to their higher degree of maturity and greater resources available to them as they move towards ESRS implementation. In this regard, inputs from 28 large undertakings with European headquarters were divided into non-financial institutions ("non-FI") and financial institutions ("FI") across eight distinct industries. Banks, insurers and asset managers were considered for the FI component; undertakings in the non-FI sector included companies involved in healthcare technology, chemicals, road transport textiles, and utility sectors.

It is important to note that this study is non-authoritative and does not establish implementation guidance for ESRS, whereby it is meant to serve as a "state of play report".

2.0 Overview of the Study

Across four focus areas, the study highlights some of the practices and challenges that were seen during the early stages of ESRS implementation from 28 major European undertakings:

1. Double Materiality Assessment

- a. Many undertakings acknowledge the importance of conducting a comprehensive, evidence-based Double Materiality Assessment for both reporting purposes and establishing ESG management priorities;
- b. These undertakings employ a range of approaches for their Double Materiality Assessment; and
- c. They also recognise the significance of input from internal experts and stakeholders, striving to involve them in a structured manner.

¹ EFRAG study titled, "Implementation of ESRS: Initial Observed Practices from Selected Companies" and dated July 2024.

2. Datapoints

- a. Numerous undertakings have not yet incorporated the results of the Double Materiality Assessment into their gap analysis for reportable datapoints; and
- b. Most undertakings utilise [Implementation Guidance 3 \(“EFRAG IG 3”\)](#)² for conducting gap analyses, with some additionally using it to prepare for the forthcoming digital tagging taxonomy.

3. Value Chain

- a. Among the four areas in scope, the value chain is the least developed for the undertakings that took part in the study; and
- b. Several undertakings have implemented a simplified, aggregated mapping of the value chain and are using transitional provisions³, with plans to extend efforts beyond Tier 1⁴ in future reporting cycles.

4. ESG Reporting Approaches

- a. Various organisational patterns are evident among the undertakings, with structures potentially evolving further; and
- b. The undertakings agreed that the CSRD has improved cross-departmental collaboration, emphasised the need to standardise ESG reporting processes, and necessitated additional capabilities and resources.

3.0 Next Steps

EFRAG may provide more detailed analyses in future, also considering the audited sustainability statements subject to ESRS.

4.0 Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt.

² EFRAG Implementation Guidance 3 – List of ESRS Data Points published on 31 May 2024.

³ Paragraph 133 of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing the Accounting Directive.

⁴ Tier 1 is referring to direct business relationships.