EFRAG SR TEG 20 July 2022
Agenda Paper 02.02

# Assessment of the differences between ESRS 1/2 and IFRS S1

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 1. Materiality | para 2 - A reporting entity shall disclose material information about all of the significant sustainability related risks and opportunities to which it is exposed. Context : information necessary for users of general purpose financial reporting to assess enterprise value.<br><br>Para 56 - sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users o general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity – aligned with IAS 1. | ESRS 1 1.1.3 - The undertaking shall disclose all material information on its sustainability related impacts, risks and opportunities in accordance with applicable ESRS.<br><br>In consideration of the disclosure requirements mandated by ESRS (including that the undertaking shall report sustainability matters on the basis of the double materiality principle - ESRS 1 2.2.42) - and the undertaking's specific facts and circumstances justifying entity specific disclosures - ESRS 1 1.1.4.<br><br>Purpose: decision making by users and more generally to meet the needs for transparency corresponding to the European public good- ESRS 1 2.2.43 "information materiality". To allow stakeholders to form a view on and assess future outcomes - ESRS 1 2.1.27 - whether from the perspective of material impacts on people and the environment or from the perspective of financial materiality of both - ESRS 1 2.1.28. | IFRS S1 focuses on primary users only<br><br>Both take into consideration enterprise value.<br><br>Para 5 of IFRS S1 considers enterprise value over the short, medium and long term.<br><br>In many instances and for mature topics (including Climate) the two approaches will capture the same datapoints, including impact information to the extent that may influence investors decisions.<br><br>However, in theory the two perspectives may differ. An example could be a big corporate that has an issue of pollution of a river that from an impact materiality could be considered material (such as for the specific location of the river) but from which the potential financial | The differences are justified by the legal framework. IFRS limited and focused on user needs of investors, while ESRS responds to double materiality perspective and is mandatorily located in the management report.<br><br>➔ ***No opportunities of alignment identified*** |

| | **IFRS S1** | **ESRS 1 and 2** | **Comments/explanations** | **EFRAG Secretariat assessment** |
|---|---|---|---|---|
| | Para 57 - Material sustainability-related financial information provides insights into factors that could reasonably be expected to influence primary users' assessments of an entity's enterprise value. | ESRS 1:<br>Appendix A: A sustainability matter is material from a financial perspective if it triggers or may trigger financial effects on undertakings, i.e., it generates or may generate risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short-, medium- or long-term, but it is not captured or not yet fully captured by financial reporting at the reporting date. The undertaking relies on the availability of economic, natural and social resources of an appropriate pricing and quality. Such dependencies are sources of financial risks or opportunities. | implications are not big enough to influence investor's decisions. | |
| 2.<br>Stakeholders | No reference to stakeholders in ED<br>Reference to primary users or users: Existing and potential investors, lenders and other creditors. | ESRS 1 Para 44 - Stakeholders actually or potentially affected by the undertaking's activities and through its value chain and users of sustainability reporting including existing and potential investors, lenders and other creditors (including asset managers, credit institutions, insurance undertakings) and business partners of the undertaking, trade unions, social | Reference to users in IFRS S1 is encompassed under stakeholders in ESRS 1 | IFRS definition of primary users is included in the broader definition of stakeholders in ED.<br>➔ ***Terms are already aligned*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | partners, civil society organisations and NGOs<br><br>Appendix A – definition of stakeholder focuses on affected stakeholders and users of sustainability reporting | | |
| 3.<br><br>Enterprise value | Para 5:<br><br>Enterprise value reflects expectations of the amount, timing and certainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital.<br><br>ISSB description of assessment of enterprise value as focus for assessment of materiality. "Enterprise value - The total value of an entity. It is the sum of the value of the entity's equity (market capitalisation) and the value of the entity's net debt." (ISSB S1 Appendix A) | ESRS 1 (para 53 /113)<br><br>It is mentioned: "*generate significant risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking …*"<br><br>In the AGs to ESRS 1 (AG11, 18, 19, 21, 25) the concept of value creation for investors uses different wording, while IFRS S1 uses consistently 'enterprise value'. | The concept of financial effects (outside-in) in ESRS and of impact on enterprise value are equivalent. | ➔ ***Propose to align with IASB definition***<br><br>Include in Appendix A of ESRS 1: Enterprise value [for listed companies] only: The total value of an undertaking. It is the sum of the value of the undertaking's equity (market capitalisation) and the value of the entity's net debt<br><br>[Enterprise value for non-listed companies (to be added)]<br><br>Propose to include in ESRS 1 para 53:<br><br>"…are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short-, medium- or long-term, but it is not captured or not yet fully captured by financial reporting at the reporting date. Enterprise value also reflects the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital."<br><br>In the AGs of ESRS 1 replace 'value creation for investors' with 'enterprise value'.<br><br>➔ **In all the text of ESRSs replace *financial performance, position and cash flows to change over time* with *enterprise value.*** |
| 4.<br><br>Significant VS material | A reporting entity shall disclose material information about all of the significant sustainability related risks and opportunities to which it is exposed (ISSB S1 para 2) | The undertaking shall disclose material information on its sustainability related impacts, risks and opportunities (ESRS 1 1.1.3). | IFRS uses 'significant' for risks and opportunities and 'material' for information. | ➔ ***In substance, terms are already aligned. No actions*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | An entity's significant sustainability related risks and opportunities arise from its dependencies on resources and its impacts on resources and from the relationships it maintains that may be positively or negatively affected by those impacts and dependencies (ISSB S1 para 17) [and] in identifying the significant sustainability related risks and opportunities…the entity shall apply paragraph 51 which lists the resources that can be used to identify the sustainability related risks and opportunities about which information might reasonably be expected to influence decisions that users of general purpose financial reporting make on the basis of that information. | The undertaking assesses its sustainability related material impacts, risks and opportunities in consideration of [the mandatory disclosure requirements] (ESRS 1 1.1.4).<br><br>The undertaking shall refer to double materiality for the identification of its principal impacts, risks and opportunities… In addition, the terms significant and material have the same meaning when referring to impacts, risks and opportunities in ESRS (ESRS 1 2.2.48). | ESRS uses 'material' both for matters (impacts/risks and opportunities) and for information, <u>however ESRS 1 clarifies that 'significant' and 'material' have the same meaning when referring to impacts, risks and opportunities (IROs).</u><br><br>Principal risks are identified out of the materiality assessment. | During the development of ESRS ED, consideration was given to this issue and to the opportunity to align with the draft of IFRS S1.<br><br>The main advantage of using 'material' when referred to IROs, is that it is consistent with the fact that they are identified through the <u>materiality assessment process.</u><br><br>The clarification in ESRS 1 that 'significant' and 'material' have the same meaning when referred to IROs addresses already the issue. The two terms are in substance equivalent. |
| 5.<br>Value chain | The full range of activities, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end of life. Relevant activities, resources and relationships include:<br><br>- those in the entity's operations, such as human resource;<br><br>- those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery;<br><br>- and the financing, geographical, geopolitical and regulatory environments in which the entity operates. | The full range of activities or processes needed to create a product or service. This includes entities with which the undertaking has a direct or indirect business relationship, both upstream and downstream of its own activities, which either<br><br>a) supply products or services that contribute to the organisation's own products or services, or<br>b) receive products or services from the organisation. | Business relationships in its value chain is a defined term within ESRS, not defined in ISSB.<br><br>ISSB definition is broader than the definition of ESRS 'value chain' which is focused on the creation of products and services. | ➔ ***Alignment to be considered*** |
| 6. Reporting boundary/entity | **Paragraphs 37-41**<br><br>A reporting entity would be required to disclose sustainability related risks and opportunities (including in the value chain) that affect users' assessment of EV. | **Paragraphs 63-66**<br><br>The undertaking's reporting boundary for sustainability reporting is the one retained for its financial statements expanded to its upstream and downstream value chain. | The two standards use different terms to identify the scope of entities that have to be included in the report.<br><br>The ESRS requirement | ➔ ***Propose to align with IASB term***<br><br>While not changing the concept and definition in ESRS 1, the opportunity to replace 'boundary' |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | The same reporting entity for sustainability related financial disclosures as the financial statements. Requires entity to disclose material information about significant sustainability related risks and opportunities, including activities, interactions, and relationships and the use of resources along its value chain.<br>E.g. suppliers, wastage related to packaging, asset it controls, investment it controls (including associates & JV), sources of finance.<br>Specific standards (e.g. [draft] IFRS S2) provide specific requirements for disclosure and measurement for associates & JV. | The boundary is expanded when integration of information on impacts, risks, and opportunities on matters connected to the undertaking by direct or indirect business relationships in the upstream and/or downstream vale chain.<br>Undertakings to leverage rely on its assessment of impacts, risks, and opportunities following the double materiality concept. Associates and JV accounted for under the equity method are considered as part of the upstream or downstream value chain.<br>Proportional consolidation considered as part of the boundary for the consolidated portion<br>Topical or sector specific ESRS requirement on specific reporting boundary shall prevail | Both standards require to disclose information about material (impacts) risks and opportunities along the value chain. | with 'entity' could be considered as in both cases they refer to the scope of the information. |
| 7. Time horizons | Para 16/18: IFRS S1 requires the entity to determine its own time intervals and disclose how it defines those intervals and how they are linked to its strategic planning horizons and capital allocation plans. | Para. 84/85: ESRS 1 explicitly defines short, medium and long term (an entity may sub divide those mandatory intervals). | ESRS 1 requires to conventionally present its information about impacts, risks and opportunities and action plans, targets, etc. in predefined time ranges, in order to achieve comparability across undertakings.<br>The use of these predefined time intervals for reporting purposes does not limit the ability of an undertaking, if it considers it to be necessary, to further sub divide the conventional interval in more granular intervals. | ➔ ***No actions***<br>The purpose of achieving comparability across undertakings is a sufficient justification for requiring conventional time ranges. This shouldn't impair the possibility for undertakings to retain a different timing, provided that they sub-divide the predefined time-range into more granular time intervals to include their entity-specific time horizon. |
| 8. Governance disclosures | Para 12<br>The objective of sustainability-related financial disclosures on governance is to enable users of general purpose financial reporting to understand | Para 48 of ESRS 2<br>The objective of this chapter is to specify the disclosure requirements for the description by the undertaking of its governance and | All the contents of IFRS S1 governance disclosure are also covered by ESRS 2. | ➔ ***Alignment of the objective***<br>To avoid confusion about the objective, align as suggested below: |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | the governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities. | organisation in relation to sustainability matters. | | Para 48 of ESRS 2:<br>The objective of this chapter is to specify the disclosure requirements for the description by the undertaking of its governance processes, controls and procedures ~~organisation~~ used to monitor and manage ~~in relation to~~ sustainability matters. |
| 9. Governance disclosures | Para 13 (a) – An entity shall disclose the identity of the body or individual within a body responsible for oversight of sustainability-related risks and opportunities | ESRS 2 – included in para AG 38 (a)<br>Which committee of its administrative, management and supervisory bodies is responsible for oversight of sustainability matters. When responsibility is distributed and/or delegated across several committees or sub-committees, the undertaking shall disclose details of the responsibility distribution and delegation and coordination.<br>Description of complex governance may be complemented and illustrated in the form of a diagram; and | The content is equivalent. | → ***No actions*** |
| 10. Governance disclosures | Para 13 (b)<br>An entity shall disclose how the body's responsibilities for sustainability-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies; | ESRS 2 para 52 (a)<br>A description of the mandate, roles and responsibilities of the administrative, management and supervisory bodies as regards the strategy of sustainability matters and the oversight of their management; | The content is equivalent. | → ***No actions*** |
| 11. Governance disclosures | Para 13 (c)<br>An entity shall disclose how the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to sustainability related risks and opportunities; | ESRS 2 para 52 (c)<br>A description of:<br>i. The sustainability-related expertise that the administrative, management and supervisory bodies as a whole, and its individual members either possess, or can leverage; | **Possible alternative wording for ESRS 2 para 52 (c)**<br>The following description on how the undertaking ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to sustainability related risks and opportunities: ~~A description of:~~ | → ***Include the high level wording of IFRS S1 as an intro to ESRS 2***<br>IFRS S1 is very high level so we could integrate their wording as an introduction to our detailed request for disclosure.<br>The additional details would stay in ESRS 2. |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | ii. training and other educational initiatives to update and develop sustainability-related expertise; and<br><br>iii. how it relates to its material sustainability risks, opportunities and impacts.<br><br>Para AG 40:<br><br>The description of the administrative, management and supervisory bodies' level of expertise or access to expertise should be substantiated by a description of the skills and competencies possessed by or available to each one of its members, and how such expertise is specifically adapted and relevant to the undertaking's material sustainability risks, opportunities and impacts. | i. The sustainability-related expertise that the administrative, management and supervisory bodies as a whole, and its individual members either possess, or can leverage;<br><br>ii. training and other educational initiatives to update and develop sustainability related expertise; and<br><br>iii. how it relates to its material sustainability risks, opportunities and impacts.<br><br>iv. A description of the criteria concerning sustainability applied by the undertaking for nominating and selecting members of its administrative, management and supervisory bodies and other key personnel like e.g. diversity or sustainability-related experience (the last point would be moved from 52 c to 52 d). | |
| 12. Governance disclosures | Para 13 (d)<br><br>how and how often the body and its committees (audit, risk or other committees) are informed about sustainability-related risks and opportunities; | ESRS 1 para 54<br><br>The undertaking shall describe how its governance bodies are informed about sustainability matters. | The two requirements are equivalent (matters is broader as it includes also impacts). | → ***No actions*** |
| 13. Governance disclosures | Para 13 (e)<br><br>An entity shall disclose how the body and its committees consider sustainability-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required; | ESRS 2 GOV 3 disclosures: the IFRS S1 disclosure is not explicitly mentioned in ESRS 2<br><br>ESRS 2 SBM1 35 (c) | We could include the disclosure of IFRS S1 in para 59 of ESRS 2 as follows:<br><br>… as defined in its mandate and described under ESRS 2 Disclosure Requirement GOV 1. In addition, an | → ***Par. 13 (e) of IFRS S1 to be incorporated in ESRS 2 GOV***<br><br>To be considered how to avoid overlap with 35 (c). |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | | undertaking shall disclose how its administrative, management and supervisory bodies consider sustainability-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required. | |
| 14. Governance<br><br>disclosures | Para 13 (f)<br><br>how the body and its committees oversee the setting of targets related to significant sustainability-related risks and opportunities, and monitor progress towards them (see paragraphs 27–35), including whether and how related performance metrics are included in remuneration policies; | ESRS 2 GOV 2 and 4 disclosures seem to be the closest to this IFRS S1 disclosure.<br><br>However, there does **not** seem to be specific ESRS disclosure relating to overseeing the setting of targets. There are disclosure regarding IRO but not specifically relating to governance. | **Propose to include a new para in the GOV 2 disclosures in ESRS 2:**<br><br>The undertaking shall disclose how its governance bodies oversee the setting of targets related to significant sustainability-related risks and opportunities, and monitor progress towards them. | → ***Par. 13 (f) of IFRS S1 to be incorporated in ESRS 2 GOV***<br><br>Information on remuneration policies included in para 64 of ESRS 1 and more detailed so no changes proposed here. |
| 15. Governance<br><br>disclosures | Para 13 (g)<br><br>a description of management's role in assessing and managing sustainability-related risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about whether dedicated controls and procedures are applied to management of sustainability related risks and opportunities and, if so, how they are integrated with other internal functions. | ESRS 2 para 51<br><br>The principle to be followed under this Disclosure Requirement is to provide an understanding of the distribution of sustainability-related roles and responsibilities throughout the undertaking's organisation, from its administrative, management and supervisory bodies to its executive and operational levels, the expertise of its governance bodies and relevant management levels on sustainability matters, and the sustainability related criteria applied for nominating and selecting their members. | Possible wording to be added in ESRS 2 GOV<br><br>This includes a description of management's role in assessing and managing sustainability-related risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. | → ***Par. 13 (g) of IFRS S1 to be incorporated in ESRS 2 GOV***<br><br>Internal controls disclosures are covered in para 74 of ESRS 2 in more detail. In addition, internal controls to be covered following the revised text of the CSRD. |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | | | |
| 16. Governance disclosures | Para 13<br><br>Refer to governance body or bodies (which can include a board, committee or equivalent body charged with governance) | Appendix A – Definition of Administrative, management and supervisory bodies: The governance bodies with the highest decision-making authority in the undertaking. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.<br><br>ESRS 2: AG 36<br><br>The term governance bodies refers to the administrative, management and supervisory bodies with the highest decision-making authority in the undertaking. Depending on the legal structure retained by the undertaking it shall include the undertaking's administrative, management and supervisory bodies which exercise the highest authority under one tier or two-tier systems. The description of their roles and responsibilities should be concise | IFRS S1 missing a definition. | ➔ ***No actions*** |
| 17.<br><br>Strategy disclosures | Par. 15 (a) the significant sustainability-related risks and opportunities that it reasonably expects could affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term (see paragraphs 16–19); | **IRO 2 and 3**<br><br>Par. 77 (a) / 80 (a): a description of the underlying actual and potential, negative and positive impacts on the environment, and people, including whether the undertaking is involved with the negative impacts through its activities or because of its business relationships, and describe the activities or business relationships; and ii. a description | | ➔ **Overlaps between IRO/GR/SBM could be considered in order to streamline the cross-cutting requirements, including location of IRO 2 and 3 in SBM to facilitate alignment** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | of the underlying sustainability-related financial risks and opportunities. | | |
| 18.<br>Strategy disclosures | Para 15 (b) an entity shall disclose information about the effects of significant sustainability-related risks and opportunities on its business model and value chain<br>Also para 20 | 77 (b) when the undertaking has or will put in place initiatives to modify its strategy and business model(s), in order to reduce or eliminate the risk or to benefit from the opportunity and/or in order to prevent and mitigate negative material impacts and enhance positive material impacts (see ESRS 2 Disclosures Requirements SBM 3 and 4), a list of such sustainability impacts, risks and opportunities, together with a summarised explanation of how the undertaking has identified them, among all sustainability impacts, risks or opportunities related to its activities and covered by sector-agnostic or sector-specific ESRS;<br>80 (b) when the undertaking has or will put in place initiatives to modify its strategy and business model(s), to reduce or eliminate the risk or to benefit from the opportunity and/or to prevent and mitigate negative material impacts and enhance positive material impacts (see ESRS 2 Disclosure Requirements SBM 3 and 4), a list of such impacts, risks and opportunities, together with a summarised explanation of how the undertaking has identified them.<br>GR 3 Par. 17<br>The description of the value chain shall be granular enough to allow an understanding of where the material sustainability impacts, risks and opportunities, are located in the value chain in which the undertaking operates, as determined by the undertaking, in its assessment process. | | ➔ **To be considered whether the requirement to disclose the link between material IROs and strategy and business model should be more clear as to the inclusion of where in the value chain IROs are concentrated.** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 19.<br><br>Strategy disclosures | Para 15 (c)<br><br>an entity shall disclose information about the effects of significant sustainability-related risks and opportunities on its strategy and decision-making<br><br>Para 21:<br><br>(a) how it is responding to significant sustainability-related risks and opportunities;<br><br>(b) quantitative and qualitative information about the progress of plans disclosed in prior reporting periods; and<br><br>(c) what trade-offs between sustainability-related risks and opportunities were considered by the entity (for example, in a decision on the location of new operations, a trade-off between the environmental impacts of those operations and the | SBM 3 – Par. 39. The undertaking shall describe the interaction between its material impacts and its strategy and business model(s)<br><br>SBM 4 – Par. 45. The undertaking shall describe the interaction between its material risks and opportunities and its strategy and business model(s).<br><br>**<u>Disclosure Principle 1 – par. 96 of ESRS 1</u>**<br>The undertaking shall disclose the policy in a concise manner to provide information which is necessary and relevant for users to understand how the undertaking intends to address the identified material sustainability impacts, risks and opportunities.<br><br>**<u>Disclosure Principle 2 – par. 99 of ESRS 1</u>**<br>This Disclosure Principle defines how the undertaking describes: (a) where applicable, its measurable outcome-oriented targets set to meet the policy's objectives, in terms of expected results for people, the environment and the undertaking concerning material impacts, risks and opportunities; (b) the overall progress towards the adopted targets over time; and (c) if no measurable outcome-oriented targets exist, how it tracks the effectiveness of its actions and measures the progress in achieving its policy objectives. | Different location for DP 1 and 2.<br><br>DP 1 and 2 do not set directly disclosure requirements but disclosure principles to be followed when a matter is not covered by a topical standard. PTAPR DRs located in topical standards cover the disclosure of progresses at topical level for topics covered by a ESRS. | ➔ **No actions for the different location**<br><br>➔ **In DP 1 and 2: to be considered whether in addition to requiring info about the progresses toward the adopted target, the undertaking shall also disclose the progresses of plans disclosed in prior periods.**<br><br>➔ Interaction between climate/environment and just transition |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | employment opportunities they would create in a community, and the related effects on enterprise value). | | | (social dimension) to be further clarified with a cross-link between E1 and S standards. |
| 20.<br>Strategy disclosures | Para 15 (d) the effects of significant sustainability-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how sustainability-related risks and opportunities are included in the entity's financial planning (see paragraph 22).<br>Para 22:<br>Specifically, an entity shall disclose:<br>(a) how significant sustainability-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows;<br>(b) information about the sustainability-related risks and opportunities identified in paragraph 22(a) for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year;<br>(c) how it expects its <u>financial position</u> to change over time, given its strategy to address significant sustainability-related risks and opportunities, reflecting:<br>(i) its current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements);<br>(ii) its planned sources of funding to implement its strategy; and | **IRO 2 -** ESRS 2 para 77 (a) (ii)<br>**IRO 3 -** ESRS 2 para 80 (a) (iv) | **Different location (IRO vs SBM)**<br>**Possible integration of wording from IFRS to ESRS to cover the entire requirement in ESRS 1:**<br>In order to align with para 22(a) and 22(b) of IFRS S1, amend para 77 (a)(ii) 1) of ESRS 1 as follows (could also be applicable for para 80 (a)(iv)1):<br>material sustainability-related risks and opportunities have affected the undertaking's most recently reported financial performance, position and cash flows including information for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year;<br>In order to align with para 22(c) of IFRS S1, I propose to amend para 77 (a)(ii) 2) of ESRS 1 as follows (could also be applicable for para 80 (a)(iv)2):<br>the undertaking expects financial performance, position and cash flows to change over time under the effects of material sustainability-related risks | ➔ **For the location, see above (overlaps/streamline IRO-SBM-GR to be discussed)**<br>➔ **Possible integration to be discussed** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | (d) how it expects its financial performance to change over time, given its strategy to address significant sustainability-related risks and opportunities. | | and opportunities~~; and~~ reflecting the undertaking's:<br><br>I) current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements);<br><br>II) planned sources of funding to implement its strategy. | |
| 21.<br><br>Strategy disclosures | Para 15 (e) - the resilience of its strategy (including its business model) to significant sustainability-related risks (see paragraphs 23–24).<br><br>Para 23 : An entity shall disclose information that enables … to understand its capacity to adjust to the uncertainties arising from significant sustainability-related risks. An entity shall disclose a qualitative and, when applicable, a quantitative analysis of the resilience of its strategy and cash flows in relation to its significant sustainability-related risks, including how the analysis was undertaken and its time horizon. When providing quantitative information, an entity can disclose single amounts or a range.<br><br>Para 24: Other IFRS Sustainability Disclosure Standards will specify the type of information an entity is required to disclose about its resilience to specific sustainability-related risks, such as when scenario analysis shall be used. | ESRS 2 para 47 (d)<br><br>the resilience of the undertaking's strategy and business model(s) regarding its capacity to address its material risks and its capacity to leverage its opportunities in the time horizon, as defined in ESRS 1.<br><br>AG 32 (c) and AG 34 (c): when the undertaking has or will put in place initiatives to modify its strategy and business model(s), to prevent and mitigate a negative material impact or enhance a positive material impact included in the list, provide a description of such initiatives, including if practicable, a quantification of the impact effect on financial performance, position and cash flows in the relevant time horizon/, and provide an explanation of how it has been identified out of the list.<br><br>AG 32 refers to resilience to the impacts, while SBM 3 doesn't refer to impacts. | **Possible integration to para 47 (d)**<br><br>the resilience of the undertaking's strategy and business model(s) regarding its capacity to address its material risks and its capacity to leverage its opportunities in the time horizon, as defined in ESRS 1. An entity shall disclose a qualitative and, when applicable, a quantitative analysis of the resilience of its strategy and business model(s) in relation to its material sustainability-related risks, including how the analysis was undertaken and its time horizon. When providing quantitative information, an entity can disclose single amounts or a range. | ➔ **To incorporate par. 23 of IFRS S1 in para. 47 of ESRS 2 (quantitative information)** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 22.<br>Risk management disclosures | Para 26<br>To achieve this objective, an entity shall disclose:<br>(a) the process, or processes, it uses to identify sustainability-related:<br>(I) risks; and<br>(ii) opportunities; | Materiality assessment of sustainability impacts, risks and opportunities<br>Para 68 ESRS2<br>The objective of this chapter is to support undertakings in identifying material sustainability impacts, risks and opportunities and to specify disclosure requirements for the description by the undertaking of:<br>1. its processes to identify material sustainability impacts, risks and opportunities; and<br>2. the outcome of its assessment of material sustainability impacts, risks and opportunities. | Risk management corresponds to IRO in ESRS 2.<br>ESRS 2 is more takes into account the double materiality. | |
| 23.<br>Risk management disclosures | (b) the process, or processes, it uses to identify sustainability-related risks for risk management purposes, including when applicable:<br>(i) how it assesses the likelihood and effects associated with such risks (such as the qualitative factors, quantitative thresholds and other criteria used)<br>(ii) how it prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools;<br>(iii) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and | ESRS 2 - DR IRO-1: description of the process<br>ESRS 2 - DR IRO-2: outcome (sector-agnostic and sector specific level)<br>ESRS 2- DR IRO-3: outcome at entity level<br>ESRS 1 - Disclosure Principle 1-1 – On policies adopted to manage material sustainability matters<br>ESRS 1 - Disclosure Principle 1-3 – Actions, action plans and resources in relation to policies and targets. | | ➔ **To be discussed: relocate DP 1-1 and 1-3 from ESRS 1 to ESRS 2 as they correspond to risk management in IFRS S1?**<br>➔ **To be considered: possible integration in ESRS 2 of the requirement to illustrate how IRO identification/management is integrated into overall management.** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | (iv) whether it has changed the processes used compared to the prior reporting period;<br>(c) the process, or processes, it uses to identify, assess and prioritise sustainability-related opportunities;<br>(d) the process, or processes, it uses to monitor and manage the sustainability-related:<br>(i) risks, including related policies; and<br>(ii) opportunities, including related policies;<br>(e) the extent to which and how the sustainability-related risk identification, assessment and management process, or processes, are integrated into the entity's overall risk management process; and<br>(f) the extent to which and how the sustainability-related opportunity identification, assessment and management process, or processes, are integrated into the entity's overall management process. | PTAPR DR at topical level correspond to (d).<br><br>No specific requirement in ESRS to illustrate the extent to which and how the sustainability-related risk identification/assessment/risk management is integrated into the overall management process. | | |
| 24.<br><br>Metrics and targets disclosures | Para 27<br><br>The objective of sustainability-related financial disclosures on metrics and targets is to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set. | **Corresponds to DP1-2 On targets, progress and tracking effectiveness in ESRS 1.**<br><br>Para 99 of ESRS1 This Disclosure Principle defines how the undertaking describes:<br><br>a) where applicable, its measurable outcome-oriented targets set to meet the policy's objectives, in terms of expected results for people, the environment and the undertaking concerning material impacts, risks and opportunities; | | ➔ **To be discussed: relocate DP 1 - 2 from ESRS 1 to ESRS 2 as they correspond to risk management in IFRS S1?** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | B) the overall progress towards the adopted targets over time; and<br><br>C) if no measurable outcome-oriented targets exist, how it tracks the effectiveness of its actions and measures the progress in achieving its policy objectives.<br><br>**Metrics and targets are defined at topic level.** | | |
| 25.<br><br>Metrics and targets disclosures | Para 28<br><br>Metrics shall include those defined in any other applicable IFRS Sustainability Disclosure Standard, metrics identified from the other sources identified in paragraph 54 and metrics developed by an entity itself.<br><br>Para. 53: In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity, management shall use its judgement in identifying disclosures that:<br><br>(a) are relevant to the decision-making needs of users of general purpose financial reporting;<br><br>(b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and<br><br>(c) are neutral.<br><br>Para. 54: In making the judgement described in paragraph 53, management shall consider, to the extent that these do not conflict with an IFRS Sustainability Disclosure Standard, the metrics associated with the disclosure topics included in | ESRS 1 APPLICATION PROVISIONS<br><br>Para. 153/154: The way sustainability matters are addressed is expected to evolve as ESRS are developed. Therefore, the need for entity-specific disclosures is likely to decrease with the expanded coverage of sustainability matters by mandatory sector-agnostic and sector specific disclosure requirements.<br><br>Because of the above, the undertaking is allowed when defining its entity-specific disclosures to adopt transitional measures for their preparation in the first two annual sustainability reports. It shall as a priority:<br><br>(a) introduce in its reporting entity-specific disclosures (i) that have been reported on by the undertaking in prior periods (ii) if these disclosures meet or are adapted to meet the characteristics of quality referred to under chapter 2.1 Characteristics of information quality;<br><br>(b) limit the entity-specific disclosures to facts and circumstances that are unique to its activities and, as such, will likely be needed in the future, after the incorporation of additional sector-agnostic and sector- | | ⇨ ***No actions*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and the metrics used by entities in the same industries or geographies. | specific disclosure requirements in future sets of Standards; and<br>(c) in addition, consider the available best practices and/or frameworks to complement, in an appropriate manner, its sustainability reporting with a reasonable set of prioritised disclosures additional to the ones covered by ESRS. | | |
| 26.<br>Metrics and targets disclosures | Para 29<br>An entity shall identify metrics that apply to its activities in line with its business model and in relation to specific sustainability-related risks or opportunities. Some entities will have a range of activities and, therefore, may need to apply metrics that are applicable to more than one industry. | To be completed with sector-standards in future steps. | | ➔ ***No actions*** |
| 27.<br>Metrics and targets disclosures | Para 30<br>An entity shall disclose the metrics it uses to manage and monitor sustainability-related risks and opportunities; and the metrics it uses to measure performance, including progress towards the targets it has set. | DP 2 On targets, progress and tracking effectiveness in ESRS 1 | | ➔ ***No actions*** |
| 28.<br>Metrics and targets disclosures | Para 31<br>When a metric has been developed by an entity, it shall disclose:<br>1. how the metric is defined, including whether it is an absolute measure or expressed in relation to another metric (such as revenue or floor space) and any sources that | No equivalent provisions | | ➔ **Consider integration of para. 31 of IFRS S1 in ESRS 1 DP-1.2 On targets, progress and tracking effectiveness.** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | have been used to construct the metric;<br>2. whether measurement of the metric is validated by an external body and, if so, which body; and<br>3. explanations of the methods used to calculate the targets and the inputs to the calculation, including the significant assumptions made and the limitations of those methods. | | | |
| 29.<br><br>Metrics and targets disclosures | Para 32<br><br>An entity shall disclose the targets it has set to assess progress towards achieving its strategic goals, specifying:<br>1. the metric used;<br>2. the period over which the target applies;<br>3. the base period from which progress is measured; and<br>4. any milestones or interim targets. | Para 100 of ESRS1relates to targets<br><br>For each measurable outcome-oriented target, the undertaking shall include a description of:<br>A) the relationship of the target to the policy objectives;<br>B) the defined level of ambition (quantitative and qualitative depending on the nature of the target) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;<br>C) the scope of the target, including an explanation of any limitations as to its operations, value chain and geographical boundaries or activities;<br>D) if applicable, the baseline value and base year from which progress is measured;<br>E) the timeframe to achieve the target, including any milestones or interim targets; | **Alternative wording proposal (red)**<br><br>B) in which unit it is measured; => the metrics used<br><br>E) The period over which the target applies<br><br>And split the E to isolate the second part, so we can find same terminology as IFRS S1. | ➔ ***Word alignment*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | F) the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with science-based methodologies, and national, EU or international policy goals;<br>G) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability; and<br>H) the overall progress towards the defined target, including information on how the target is monitored and reviewed, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target. | | |
| 30.<br>Metrics and targets disclosures | Para 33<br>An entity shall disclose:<br>1. performance against its disclosed targets and an analysis of trends or significant changes in its performance; and<br>2. revisions to its targets and the explanation for those revisions. | Par 99c) and<br>Para 102<br>The undertaking shall describe if it monitors the effectiveness of its policies and actions and measures progress in achieving the policy's objectives without a specific target, and if so, how and what progress has been achieved in terms of the results for people, the environment and the undertaking concerning the material impacts, risks and opportunities. | | ➔ ***No actions***. |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 31.<br><br>Metrics and targets disclosures/<br><br>Changes in preparation and presentation | Para 34<br><br>The definition and calculation of metrics, including metrics used to set and monitor targets, shall be consistent over time. If a metric or target is redefined or replaced, an entity shall:<br><br>1. explain the changes;<br>2. explain the reasons for those changes, including why any replacement metric provides more useful information; and<br>3. provide restated comparative figures, unless it is impracticable to do so. | Para. 117 and 118 of ESRS 1<br><br>The undertaking shall prepare and present sustainability information (approach, method, option, metrics used to report, and disclosures reported) consistently overtime. Any change from one year to another is expected to occur only when the new preparation or presentation allows to provide more useful information. When a change in preparation or presentation occurs, the data related to the comparative period should be restated according to the new preparation or presentation.<br><br>When an undertaking changes the preparation or presentation, in some circumstances, it might be impracticable to adjust comparative information to achieve comparability with the current period, in which case the undertaking shall disclose that fact (see ESRS 2).<br><br>Para. 25 ESRS 2. Following the principle on changes in preparation or presentation of ESRS 1, the undertaking shall explain changes in preparation or presentation by disclosing:<br><br>(a) the description of the methodology used for the restatement;<br><br>(b) the difference between the amount reported in the previous period and the revised comparative amount in case of quantitative metrics;<br><br>(c) the reasons for the change in reporting policy; and<br><br>(d) if it is impracticable to adjust comparative information for one or more periods, the undertaking shall disclose this fact and why. | The provisions in the two standards are consistent. | ➔ ***No actions***. |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 32.<br><br>Metrics and targets disclosures | Para 35<br><br>An entity shall label metrics and targets using meaningful, clear and precise names and descriptions. | No corresponding provision in ESRS. | Already covered in the qualitative characteristics. | ➔ ***No action*** |
| 33.<br><br>Reporting entity | Para 38<br><br>An entity shall disclose the financial statements to which the sustainability- related financial disclosures relate. | No corresponding provision in ESRS. | | ➔ ***No action*** |
| 34.<br><br>Reporting entity | Para 39<br><br>When currency is specified as the unit of measure, the entity shall use the presentation currency of its financial statements. | | No mention of currency as the unit of measure in ESRS. | ➔ **To be included in §18?** |
| 35.<br><br>Connected information | Para 42<br><br>An entity shall provide information that enables users of general purpose financial reporting to assess the connections between various sustainability-related risks and opportunities, and to assess how information about these risks and opportunities is linked to information in the general purpose financial statements. | ESRS1 Chapter 5.2: connectivity with financial statements<br><br>§137 to 143<br><br>§137<br><br>Financial data and assumptions presented in the sustainability report shall be consistent with the corresponding financial data and assumptions included in the undertaking's financial statements<br><br>§138<br><br>When the sustainability report includes monetary amounts or other quantitative data points that are directly presented in financial statements, the undertaking shall include a reference to the relevant paragraph of its | | ➔ ***No actions*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | | financial statements where the corresponding information can be found. | | |
| 36.<br>Connected information | Para 43<br>An entity shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, to allow users of general purpose financial reporting to assess connections in information, an entity might need to explain the effect or likely effect of its strategy on its financial statements or financial plans, or on metrics and targets used to measure progress against performance. Furthermore, the entity might need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its significant sustainability-related risks and opportunities. The entity may need to link this information to the potential or actual effect on its production costs, its strategic response to mitigate such risks and its related investment in new assets. This information may also need to be linked to information in the financial statements and to specific metrics and targets. Information that describes connections shall be clear and concise.<br>Para 44 is examples | Para 139<br>When sustainability reporting includes monetary amounts or other quantitative data points that are either an aggregation of or a part of monetary amounts or quantitative data presented in the undertaking's financial statements, the undertaking shall explain how these relate to the most relevant amount(s) presented in the financial statements, including a reference to the line item and/or to the relevant paragraph(s) of its financial statements where the corresponding information can be found. Where appropriate, a reconciliation, including in a tabular form, may be provided. | | ➔ ***No actions*** |
| 37.<br>Fair presentation and Characteristics of info quality | Para 47<br>A fair presentation also requires an entity:<br>A) to disclose information that is relevant, representationally faithful, comparable, verifiable, timely and understandable; and<br>B) to provide additional disclosures when compliance with the specific requirements in IFRS Sustainability | Para 25 in 2.1 Characteristics of information quality<br>When preparing its sustainability report, when following ESRS and when developing its entity-specific disclosures the undertaking shall apply the fundamental principles of information quality (relevance and faithful representation) as well as the enhancing qualities of information (comparability, verifiability, and understandability). | Same concepts but with wording differences. | ➔ ***Opportunity to fully align the text as the concepts are already aligned (appendix C).*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | Disclosure Standards is insufficient to enable users of general purpose financial reporting to assess the implications of sustainability-related risks and opportunities on the entity's enterprise value.<br><br>Appendix C - Qualitative characteristics of useful sustainability-related financial information. | | | |
| 38. Comparative information | Para 63<br>An entity shall disclose comparative information in respect of the previous period for all metrics disclosed in the current period. When such information would be relevant to an understanding of the current period's sustainability-related financial disclosures, the entity shall also disclose comparative information for narrative and descriptive sustainability- related financial disclosures. | 4.2 presenting comparative information<br><br>§ 110<br><br>The undertaking shall present comparative information in respect of the preceding period for all amounts including metrics and key performance indicators reported in the actual period. Comparative information shall also be disclosed for narrative and descriptive information when relevant to the understanding of the current period's information. | **Alternative wording proposal**<br><br>The undertaking shall present comparative information in respect of the previous period for all (amounts including) metrics and key performance indicators reported in the current period. Comparative information shall also be disclosed for narrative and descriptive information when relevant to the understanding of the current period's information. | ➔ ***Wording to be aligned*** |
| 39.<br><br>Frequency of reporting | Para 66<br>An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements. | Frequency defined by CSRD. | ***Difference justified by different legal requirements.*** | ➔ ***No actions*** |
| 40.<br><br>Location of information | Para 72<br>An entity is required to disclose information required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting. | CSRD requirement<br><br>ESRS1: §8 and chapter 6 | ***Difference justified by different legal requirements.*** | ➔ ***No actions*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| 41.<br>Sources of estimation and outcome uncertainty | Para 79<br>When metrics cannot be measured directly and can only be estimated, measurement uncertainty arises. The use of reasonable estimates is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information. An entity shall identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties. | 4.3 Estimating under conditions of uncertainty<br>§112<br>Measurement uncertainty arises when metrics cannot be quantified directly and can only be estimated. The use of reasonable estimates is necessary and unavoidable when preparing sustainability-related information. In order not to compromise the usefulness of sustainability information, disclosed metrics that have a significant estimation uncertainty shall be clearly and accurately described and the nature and the factors of the estimation uncertainty explained. | | → ***Consider to full align the wording*** |
| 42.<br>Sources of estimation and outcome uncertainty | Para 80<br>When sustainability-related financial disclosures include financial data and assumptions, such financial data and assumptions shall be consistent with the corresponding financial data and assumptions in the entity's financial statements, to the extent possible. | <u>Para. 137 of ESRS 1</u><br>Financial data and assumptions presented in the sustainability report shall be consistent with the corresponding financial data and assumptions included in the undertaking's financial statements.<br>See also requirement to disclose consistency statement of data and assumptions, when needed (para. 140/142).<br>When the data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason (para 141). | | → ***Text is already aligned.***<br>→ ***Consistency statement (not included in IFRS S1) is useful information. No change.*** |
| 43.<br>Sources of estimation and outcome uncertainty | Para 81<br>Some IFRS Sustainability Disclosure Standards require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether | § 113<br>ESRS require information such as explanations about possible future events that have sustainability impacts, that because they might happen in future years involve uncertainty, or that have not, or not yet, affected the undertaking's financial | Same concept (except for B – effect on impacts) but different wording. | → ***Consider to full align the wording*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | information about such possible future events is material, an entity shall consider:<br>A) the potential effects of the events on the value, timing and certainty of the entity's future cash flows, including in the long term (the possible outcome); and<br>B) the full range of possible outcomes and the likelihood of the possible outcomes within that range.<br>Para 82<br>When considering possible outcomes, an entity shall consider all relevant facts and circumstances, and consider including information about low- probability and high-impact outcomes, which, when aggregated, could become material. For example, an entity might be exposed to several sustainability-related risks, each of which could cause the same type of disruption—such as disruptions to the entity's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk—the risk of supply chain disruption from all sources—might be material.<br>Para 83<br>An entity shall disclose information about the assumptions it makes about the future, and other sources of significant uncertainty, related to the information it discloses about the possible effects of sustainability-related risks or opportunities, when there is significant outcome uncertainty. | performance or position. The undertaking shall consider when determining estimates regarding such possible future events:<br>A) their effect on risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking;<br>B) their effect on actual or potential significant impacts on people or the environment;<br>C) the full range of possible outcomes considering all relevant facts and circumstances; and<br>D) the likelihood of the possible outcomes within that range including low-probability and high-impact outcomes, which when aggregated, could become material. | | |
| 44.<br>Errors | Para 84<br>An entity shall correct material prior period errors by restating the comparative amounts for the | Chapter 4.6 Reporting errors in prior periods<br>Prior period errors are omissions from, and misstatements in, the undertaking's | | ➔ ***Text already aligned*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | prior period(s) disclosed unless it is impracticable to do so.<br>Para 85<br>Prior period errors are omissions from and misstatements in the entity's sustainability-related financial disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:<br>A) was available when the general purpose financial reporting for those periods was authorised for issue; and<br>B) could reasonably be expected to have been obtained and considered in the preparation of those sustainability-related financial disclosures.<br>§ 85 to § 90 | sustainability report for one or more prior periods arising from a failure to use, or misuse of, reliable data that:<br>A) was available when the management report that includes the sustainability report for those periods was approved for issuance; and<br>B) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.<br>§ 120 to 124 (same as IFRS S1) | | |
| 45.<br>Statement of compliance | §91-92<br>An entity whose sustainability-related financial disclosures comply with all of the relevant requirements of IFRS Sustainability Disclosure Standards shall include an explicit and unqualified statement of compliance. | **Paragraphs 28/30 of ESRS 1.**<br>(a) a statement of<br>i. compliance with ESRS; and<br>ii. if applicable, a list of ESRS applied early before they come effective and<br>(b) for entity-specific disclosures<br>i. an acknowledgement of the characteristics of information quality (see ESRS 1) as used by the undertaking as a reference to define the disclosures related to entity-specific material impacts, risks and opportunities;<br>ii. a description of specific steps, if any, taken to define the disclosures; and | | ➔ ***No actions*** |

| | IFRS S1 | ESRS 1 and 2 | Comments/explanations | EFRAG Secretariat assessment |
|---|---|---|---|---|
| | Paragraph 62 relieves an entity from disclosing information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.<br>Para 62: An entity need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction. | iii. if applicable, a description of significant changes in (i) and/or (ii) as compared to the previous reporting period.<br>No equivalent provision in ESRS 1.<br>Final text of the CSRD:<br>*Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.* | | |