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ID 31 - Breakdown temporary, permanent, non-guaranteed hours employees

Category

Social

Question asked

Is this a three-way split or is non-guaranteed hours employees part of temporary/permanent employees?

ESRS Reference

- ESRS S1 paragraph 50(b); ESRS S1 paragraph AR55, ESRS S1 paragraph AR56
- Key terms: Temporary, permanent, non-guaranteed hours employees; FTE

Background

ESRS S1 paragraph 50(b) requires the disclosure of “the total number by head count or full time equivalent (FTE) of:

- i) permanent employees, and breakdown by gender;
- ii) temporary employees, and breakdown by gender; and
- iii) non-guaranteed hours employees, and breakdown by gender.”

Further information on how to present this information can be found in Table 3 and 4 in ESRS S1 paragraph AR 55, while ESRS S1 paragraph AR56 also provides a definition of non-guaranteed hours employees (“Non-guaranteed hours employees are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the undertaking is not contractually obliged to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.”)

Answer

ESRS S1 paragraph 50(b) requires a three-way split of employees as the text distinguishes between three datapoints: (i) permanent, (ii) temporary and (iii) non-guaranteed hours employees and it specifies that a breakdown by gender is required for the three datapoints. In addition, ESRS S1 paragraph AR55 Table 3 and 4 offer further guidance by providing the template for presenting information on employees by contract type.

ESRS S1 paragraph AR56 specifies that “the definitions of permanent, temporary, non-guaranteed hours (...) employees differ between countries (...)” And it also provides a definition for non-guaranteed hours employees. While permanent and temporary employment relationships define the duration of a contract, a non-guaranteed hours contract refers mainly to the working time expected. The defining characteristic of non-guaranteed hours contracts are that they do not guarantee a minimum or fixed number of working hours (examples are casual employees, employees with zero-hour contracts, and on-call employees.)

In some countries, non-guaranteed hours contracts may be further classified as either permanent or temporary contracts according to national legislation. Hence, in these countries, the

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undertaking reports those non-guaranteed hours employees under para 50 (b) iii) and also under para 50(b) i) or ii). The provision of contextual information in ESRS S1 paragraph 50 (e) requires explaining how the information is reported; for example, the undertaking would describe if non-guaranteed hours employees are also included within the permanent and temporary datapoints.

ID 37 – Positive impact only

Question asked

Can an impact be material if it is material from a positive impact perspective, only?

ESRS reference

- ESRS 1 chapter 3.4; ESRS 1 paragraph 43 and 46;
- Key terms: Materiality, only positive impact is material

Background

Background as provided by the submitter:

It is essential when I have evaluated and qualitatively assessed the actual/potential negative and positive effects on human beings and the environment, and have concluded that the topic is irrelevant in terms of actual negative impacts and also irrelevant in terms of actual positive impacts. However, it is critical from the perspective of potential positive impacts. Is my topic then considered significant?

ESRS 1 paragraph 43 states: “A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term.” ESRS 1 paragraph 46 states the criteria on which positive impacts are based on.

Answer

Yes, an impact can be material if it is material from a positive impact perspective only. Based on the definition in ESRS 1 paragraph 43 an impact can be material when it:

- (a) pertains to actual or potential impacts; and
- (b) to positive or negative impacts.

Positive impacts can be either actual positive impacts or potential positive impacts.

ESRS 1 chapter 3.4 defines the criteria used to assess materiality. For actual positive impacts the criteria are scale and scope. For potential positive impacts, in addition, likelihood is considered.

ESRS 1 para 45 describes the relationship between negative impacts and the due diligence process defined in international instruments (i.e., UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises). This relationship is established as due diligence is focussed on negative or adverse impact on the people and the environment, but it does not mean that impact materiality is limited to negative impacts under ESRS reporting as mentioned above.

ID 38 – Structure of sustainability statement

Category

Social

Question asked

Separating HR policies (S1-1), action plans (S1-4), targets (S1-5) and metrics (S1-9 to S1-17) is not efficient for the understanding of the users. Can we put into one chapter, for each material issue (e.g. Health and safety), the policy with the targets, the action plan and the metrics?

ESRS reference

- ESRS S1 paragraph 11, ESRS 1 Chapter 8, ESRS 1 Appendix F
- Key terms: Structure of sustainability statement

Background

ESRS 1 Chapter 8 provides the basis for the presentation of the information about sustainability matters prepared in compliance with Articles 19a and 29a of Directive 2013/34/EU (i.e., the sustainability statement) within the undertaking's management report.

ESRS 2 paragraph 49 states that “The undertaking may disclose the descriptive information required in paragraph 46 – SBM 3 - alongside the disclosures provided under the corresponding topical ESRS, in which case it shall still present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under this chapter of ESRS 2”.

ESRS S1 – paragraph 11 - specifies that the ESRS 2 General disclosures in topical standards shall be presented alongside the disclosures required by ESRS 2, except for ESRS 2 SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*, for which the undertaking may, in accordance with ESRS 2 paragraph 49, present the disclosures alongside the topical disclosure.

Answer

ESRS 1 paragraph 115 clarifies that the sustainability statement has to be structured in four parts: “general information, environmental information, social information and governance information” and Appendix F of ESRS 1 provides a non-binding structure for a sustainability statement.

A particular treatment is foreseen for ESRS 2 General disclosures required by topical standards, that can either be presented alongside the other ESRS 2 General disclosures, or alongside the respective topical disclosures (environmental, social and governance). In case ESRS General disclosures required by topical standards are presented alongside other topical disclosures, the undertaking has still to present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under ESRS 2 SBM-3.

In relation to the presentation of information within a topical standard that has a number of disclosure requirements, flexibility is provided to the undertaking, as there are no specific requirements defining how an undertaking shall present the reported information related to a specific topic required by a given topical standard.

In relation to the presentation of information within a topical standard that has a number of disclosure requirements, flexibility is provided to the undertaking. Therefore, the undertaking may for a given material matter (for example, health and safety), present the applicable disclosures on policies, actions, targets and metrics altogether and not follow the structure of the disclosure requirements within ESRS S1 Own workforce.

ID 41 – Financial institutions – scope of reporting boundary

Question asked

What is the scope of insurance companies' own operations under ESRS? Is it the same as under Solvency II, i.e. do the ESRS standards relate only to insurers' non-life insurance activities (fire, health, damage to vehicles, third part liability, assistance, legal expenses etc.), or also to investment activities? How should the sustainability report address Insurance with profit participation?

ESRS reference

- ESRS 1, Chapter 5.1, paragraph 62 as well as paragraph 63
- Key terms:
(insurance, financial institutions, own operations, investment activities, investments, reporting boundary)

Background

The Accounting Directive (Directive 2013/34/EU) article 19(a)(3) and 29(a)(3) require that reported information relates to an undertaking's own operations and its upstream and downstream value chain.

ESRS does not define an undertaking's "own operations".

Answer

ESRS 1 paragraph 62 clarifies that the sustainability statement shall be for the same reporting undertaking as the financial statements. Therefore, this is not necessarily the same as under Solvency II. Also refer to Chapter 2.3.1 of the Value chain implementation guidance (VCIG).

Also note, that per definition of business relationship in Annex 2 of the ESRS Delegated Act, investments fall under the scope of an undertaking's business relationships. Therefore, investments are considered part of the value chain and subject to be considered in the materiality assessment of impacts, risks, and opportunities, as established in ESRS 1 paragraph 63. Also refer to FAQ 2 in the VCIG.

Moreover, regarding investment activities in particular, the sector agnostic standards do not have any specific reporting requirements, apart from GHG Scope 3 Category 15 to be provided where significant in accordance with ESRS E1 paragraph 44(c), AR 39(a), AR 46 and AR 48. This is also true of where an investment does not meet the definition of associates or joint arrangements under accounting principles as described in chapter 2.3.4 to 2.3.6 of the VCIG.

ID 67 – SBM3 vocabulary / grammar used

Category

Cross cutting

Question asked

Can you provide a more detailed explanation on how the expression 'as opposed to' is to be interpreted in the context of the disclosure requirement SBM-3?

ESRS Reference

ESRS 2 paragraph 48 (h)

Key terms

SBM-3

Background

According to ESRS 2 paragraph 48(h), the undertaking shall disclose a specification of those impacts, risks and opportunities that are covered by ESRS Disclosure Requirements as opposed to those covered by the undertaking using additional entity-specific disclosures.

Answer

ESRS 1 Chapter 1.1 describes the three categories of ESRS standards (i.e., cross-cutting, topical and sector-specific) which in turn contain the ESRS Disclosure Requirements referred in ESRS 2 paragraph 48 h).

ESRS 1 para 11 explains the entity-specific disclosures that complements the disclosures laid out in three categories of ESRS standards mentioned above. In addition, ESRS 1 AR1 to AR5 provide further guidance on the principles and requirements that such disclosures shall fulfilled.

ESRS 2 paragraph 48 h) requires undertakings to separately identify those material impacts, risks and opportunities whose disclosures follow the ESRS standards (i.e., standardised disclosures) from those that have been specifically designed by the undertaking according to the provision in ESRS 1 paragraph 11 and its related Application Requirements (i.e. entity-specific disclosures).

ID 132 – Gender pay gap

Category

Social

Question asked

Can you please specify if for the below indicators: a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees; should we include variable components of salary or only gross wage.

ESRS reference

ESRS S1-16 paragraph 95, paragraph 97, paragraph 98

Key terms: gender pay gap, gross wage, variable components of salary

Background

The ESRS Annex II “Acronyms and Glossary of Terms” states:

“PAY: the ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly (‘complementary or variable components’), in respect of his/her employment from his/her employer. ‘Pay level’ means gross annual pay and the corresponding gross hourly pay. ‘Median pay level’ means the pay of the employee that would have half of the employees earn more and half less than they do”.

Disclosure Requirement S1-16 includes the following paragraphs on Remuneration metrics (pay gap and total remuneration)

“95. The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees”.

“97. The disclosure required by paragraph 95 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees”.

“98. The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 97(a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components”.

ESRS S1 paragraph 95 includes additional information in a footnote as follow: “The gender pay gap information supports the information needs of: financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Unadjusted gender pay gap”); and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Weighted average gender pay gap” in section 1 and 2 of Annex II”.

Answer

ESRS S1-16 AR 16 describes the methodology to follow when calculating the gender pay gap required by ESRS S1-16 paragraph 97 (a). The value to be used in the ratio is the gross hourly pay level.

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The Glossary defines Pay as the salary and other remuneration in cash or in-kind that the employee receives directly or indirectly in respect of his/her employment is to be included; thus, complimentary and variable components of the employee's remuneration package form part of the calculation.

ID 171 – Administrative, management and supervisory bodies

Question asked

Please clarify with examples what is meant by "administrative, management and supervisory bodies" as a collective vs. "management" & "management-level position" vs "senior executive management".

ESRS Reference

ESRS 2 paragraph 22 (a) and (d).

Background

Annex II of ESRS define "administrative, management, and supervisory bodies" as follows:

"The governance bodies with the highest decision-making authority in the undertaking including its committees. If in the governance structure, there are no members of the administrative, management or supervisory bodies of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. 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."

GRI also refers to "highest governance body" to refer to the "administrative, management, and supervisory bodies". GRI 102 requires jurisdictions with two tiers of governance bodies to consider both as "highest governance bodies".

ESRS does not define the term "senior executive management". However, GRI explicitly defines senior executive management in GRI 102 as top-ranking member of the management of an organisation that includes a Chief Executive Officer (CEO) and individuals reporting directly to the CEO or the highest governance body. Each organization defines which members of its management teams are senior executives.

Finally, undertakings might report the identity of its "management" and "governance body" as part of the corporate governance statement as they are key actors in the national corporate governance codes. In this respect, it is important to report consistently. .

ESRS 1 para 119 allows an undertaking to incorporate in the sustainability statement, information prescribed by a Disclosure Requirement of an ESRS, including a specific datapoint prescribed by a Disclosure Requirement by reference to the corporate governance statement (if not part of the management report), provided that the conditions in the conditions in paragraph 120 are met.

Answer

As defined per Annex II of ESRS, administrative, management and supervisory bodies, as a collective, have the highest decision-making authority. The governance bodies which are covered under this definition can vary from one jurisdiction to another. This is because some jurisdictions have different bodies for management and supervision, whereas others have one unique body carrying out both roles.

"Senior executive management" must be understood as a higher position than "management-level positions".

Undertakings need to ensure consistency in the description of their governance bodies and management between the sustainability statement and the corporate governance statement or in general other corporate communications.

ID 186 - Substances of very high concern

Question asked

One of the requirements in the ESRS E2 Pollution Standard is to phase out substances of very high concern (SVHC). How can undertakings identify SVHC?

ESRS reference

ESRS E2 paragraph 6; Disclosure Requirement E2-1 paragraph 15 (b)

Key terms: substances of very high concern; SVHC

Background

The ESRS Annex II “*Acronyms and Glossary of Terms*” makes reference to Regulation (EC) No 1907/2006 (REACH) when defining SVHC.

In particular, Article 57 provides an indication of the substances that may be included in the “List of substances subject to authorisation” (Annex XIV of REACH, or “*Authorisation List*”). It states that substances that may be included in Annex XIV meet the criteria to be classified into the following hazard categories:

- a. under the Regulation (EC) No 1272/2008 as: a) carcinogenic of category 1 and 2; b) mutagenic category 1 and 2; c) toxic for reproduction category 1 and 2;
- b. under Annex XIII of REACH as: d) persistent, bioaccumulative and toxic; e) very persistent and very bioaccumulative;
- c. other substances having endocrine disrupting properties, and the characteristics listed above but for which there is scientific evidence of probable serious effects to human health or the environment and which are identified on a case-by-case basis.

Article 59 (of REACH) defines the procedure for the identification of substances that meet the criteria of article 57 (of REACH) to establish a “*Candidate List*” for eventual inclusion in Annex XIV (of REACH).

REACH also identifies the “*Competent authority*” (Article 45) responsible for evaluating substances, as well as the substances lists maintained by such authority. At EU-level, the coordinating authority is the [European Chemicals Agency](#) (ECHA). National authorities of Member States support ECHA's identification and evaluation of substances, ensuring compliance with the REACH through monitoring mechanisms.

Ultimately, SVHC are all the substances that are listed under the Annex XIV of REACH and that list can be found in the ECHA's public website as the so called “[Authorisation List](#)”. At this date, this list included 59 substances or groups of substances. As per REACH website the “*list is provided for information purposes only. Only the text of Annex XIV as published in the Official Journal of the EU is authentic and produces legal effects.*”

Undertakings that identify pollution as a material matter and produce, distribute or use special chemical substances, may also be interested in checking out the:

- a. “*Recommendations for inclusion in the Authorisation list*”, a list that compiles ECHA's recommendations “*from the "Candidate List" priority substances for inclusion in Annex XIV (the "Authorisation List") to the European Commission, taking into account comments received from interested parties and the opinion of the Member State Committee. The European Commission finally decides, which substances will be included in Annex XIV and what the associated entries will be.*”

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b. “Candidate List of substances of very high concern for Authorisation”, which compiles the list of substances that are potential candidates for inclusion in Annex XIV (Authorisation list).

Answer

To identify SVHC, undertakings should refer to Regulation (EC) No 1907/2006 (REACH).

The competent authority established by the REACH, the [European Chemicals Agency \(ECHA\)](#), provides on its official website, the “[Authorisation List](#)” that can be directly consulted by undertakings for information purposes. Undertakings should take into consideration that, as per ECHA disclaimer, only the text of Annex XIV as published in the Official Journal of the EU is authentic and produces legal effects.

ID 204 – Phase in for first time large undertakings

Question asked

Companies that become “large undertakings” for the first time: 1 - Do they benefit from the Phase-In Requirements? 2 – Are the ESRS requirements applicable from the year they exceed the thresholds?

ESRS reference

ESRS1 paragraph 137 and Appendix C: List of phased-in Disclosures Requirements

Key words: Phased-In Requirements

Background

[Note by the EFRAG Secretariat: Only question marked as “1” by the submitter is answered here. The second question “Are the ESRS requirements applicable from the year they exceed the thresholds?” is considered out-of-scope and will be forwarded to the European Commission .]

ESRS 1 section 10.4 states in paragraph 137: “Appendix C List of phased-in Disclosure Requirements in this Standard sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statement under the ESRS.”

In setting phase-in ESRS 1 Appendix C uses the terms “... for the first year (for the first 2 years / for the first 3 years) of preparation of its sustainability statement ...”.

Answer

As stated in ESRS 1 Appendix C, the phased-in requirements apply for the first year, for the first 2 years or for the first 3 years “of preparation of its sustainability report”. Accordingly, undertakings reaching the criteria of the Accounting Directive (Directive 2013/34/EU) Article 3 of large undertakings (groups) for the first time may also benefit from the phased-in requirements listed in ESRS 1 appendix 1.

ID 206 – Climate related targets

Question asked

Is it an absolute requirement in paragraph 30 that 90-95% of GHG emission reduction needs to be performed before given the option to work with GHG Removals?

ESRS reference

ESRS E1 paragraphs 30, 34 and 60

Background

ESRS E1-4 paragraph 30 refers to *Targets related to climate change mitigation and adaptation*. ESRS E1 paragraph 34(b) specifically requires GHG emission reduction targets to be gross targets and not to include GHG removals, carbon credits or avoided emissions as a means of achieving the reduction targets.

ESRS E1-7 *GHG removals and GHG mitigation projects financed through carbon credits* paragraph 60 requires transparency related to targets that intend to achieve net-zero GHG emissions. It states that if the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets (Disclosure Requirement E1-4), it shall explain the scope, methodologies and framework applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction) are intended to be neutralised.

Answer

The E1 standard does not mandate nor prevent the undertakings to work with GHG removals. While the utilisation and extent of using carbon removals remains a decision of the undertakings, the E1 aims at ensuring transparency and it requires to differentiate between the established GHG reduction targets (that shall not include carbon removals - E1-4), targets related to net-zero (E1-7 paragraph 60, which requires GHG emission reductions of approximately 90-95%), and the climate neutrality claims involving carbon credits (E1-7 paragraph 61).

Undertakings can work with GHG removals before achieving 90-95% GHG emission reductions near the point of net-zero. If they claim a net-zero target, however, they need to explain how they will neutralize the outstanding residual emissions after a 90-95% of GHG emissions reduction has been achieved.

ID 214 – Resources to manage material impacts

Question asked

When mentioning "material impacts" in paragraph 43 of S1-4, it is unclear if you mean "all" material impacts, or "Own Workforce" material impacts?

ESRS reference

ESRS S1-4 paragraph 43; ESRS S1 paragraph AR48; ESRS S1 paragraph 1; ESRS 2 paragraph 60, 61; ESRS 2 paragraph 69; ESRS 2 paragraph AR23

Key terms: Actions; Resources to manage material impacts

Background

ESRS S1-4 paragraph 43 states: "The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed."

ESRS S1 paragraph AR48 furthermore explains: "When disclosing the resources allocated to the management of material impacts, the undertaking may explain which internal functions are involved in managing the impacts and what types of action they take to address negative and advance positive impacts."

ESRS S1 paragraph 1 clarifies the objective of ESRS S1, specifying that disclosure requirements in this topical standard will "enable users of the sustainability statement to understand the undertaking's material impacts on its own workforce."

How to report on minimum disclosure requirements, to be included when the undertaking discloses information on its policies and actions, is laid out in ESRS 2 paragraph 60 and 61: "this section sets out minimum disclosure requirements to be included when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities (collectively, to "manage material sustainability matters"). They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical and sector-specific ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures." And "The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS."

ESRS S1-4 paragraph 43 emanates from ESRS 2 paragraph 69, which states: "where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:

- (a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;
- (b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and
- (c) provide the amount of future financial resources."

Additionally, ESRS 2 paragraph AR23 specifies: “Information on resource allocation may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and the planned allocation of resources over specific time horizons.”

Answer

ESRS S1 Own workforce is a topical standard that an undertaking complies with when “Own workforce” has been assessed to be a material topic, following the materiality assessment process. The same principle applies to the other topical standards.

A topical standard covers a number of sustainability matters, as specified in ESRS 1 AR 16. A given topical standard set disclosures that refer only to the sustainability matters covered in that standard. As set out in ESRS S1 paragraph 1 and in the bold text of the disclosure requirements in ESRS S1-1 to ESRS S1-5, the disclosure in only relates to own workforce.

The disclosure requirement of ESRS S1-4 paragraph 43 emanates from ESRS 2 paragraph 69 and in the preparation of this disclosure also ESRS 2 paragraph AR23 within MDR-A applies. The architecture of the ESRS is such that the MDR-P, MDR-A and MDR-T minimum disclosures are set out in ESRS 2 and applied at topical level for material matters as described in ESRS 2 paragraph 60 and 61.

ESRS S1-4 paragraph 43 on resources allocated to the management of material impacts refer only to disclosure of resources allocated to the management of material matters pertaining to the topic ‘own workforce’ (i.e. informing about how material own workforce impacts are managed).

ID 215 – Social dialogue Global percentage

Category

Social

Question asked

Can you clarify the "global percentage, reported at the country level" in paragraph 63?

ESRS reference

ESRS S1 paragraph 63; ESRS S1 paragraph AR 69, ESRS S1 paragraph AR 70

Key terms: Social dialogue; global percentage; significant employment

Background

ESRS S1 paragraph 63 states: "The undertaking shall disclose the following information in relation to social dialogue: (a) the global percentage of employees covered by workers' representatives, reported at the country level for each EEA country in which the undertaking has significant employment."

ESRS S1 paragraph AR 69 specifies that "for calculating the information required by paragraph 63(a), the undertaking shall identify in which EEA countries it has significant employment (i.e. at least 50 employees representing at least 10% of its total employees). For these countries it shall report the percentage of employees in that country which are employed in establishments in which employees are represented by workers' representatives."

ESRS S1 paragraph AR 70 provides a template for reporting on collective bargaining coverage and social dialogue, specifying that it applies to "EEA countries only."

Answer

The term global refers to the total or overall percentage of employees covered by workers' representatives at a specific EEA country. An undertaking may have several establishments (for example, a factory or a branch) and the aim of this metric is to obtain the overall percentage for a given EEA country where the undertaking has significant employment (i.e., at least 50 employees representing at least 10% of its total employees).

Additionally, ESRS S1 paragraph AR70 provides a template to present this information. Specifically, the column that refers to Social dialogue with the examples of country A and country B, whereby global percentages for each country are respectively calculated.

ID 217 - Prudential consolidation

Question asked

Should an undertaking prepare its ESRS consolidated sustainability statement following the requirements relating to prudential consolidation laid down in Part One, Title II, Chapter 2 of the Capital Requirements Regulation (EU) 575/2013?

ESRS reference

ESRS 1 paragraph 62

Key terms;

Background

ESRS 1 paragraph 62 states: “The sustainability statement shall be for the same reporting undertaking as the financial statements. For example, if the reporting undertaking is a parent company required to prepare consolidated financial statements, the sustainability statement will be for the group.”

The European Banking Authority states in its answer to ID 2013-310 for Regulation (EU) No 575/2013 (CRR) the following:

“Article 18(1) of Regulation (EU) No. 575/2013 (CRR) requires institutions to carry out a full consolidation of all institutions and financial institutions which are its subsidiaries for the application of prudential requirements on a consolidated basis.

Undertakings, other than institutions and financial institutions which neither acquire holdings nor pursue any of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU (CRD), are excluded from the scope of prudential consolidation irrespective of whether or not these undertakings are directly or indirectly held by the parent entity. As a result:

- Non-financial subsidiaries are excluded from the scope of prudential consolidation regardless of whether these subsidiaries are fully held by a holding company. On the other hand, the holding company is included for prudential consolidation purposes;
- Conversely, any holding company needs consolidating even when it holds no participation in a financial subsidiary. However, all its participations are excluded for prudential consolidation purposes.”

Answer

In accordance with ESRS 1 paragraph 62 sustainability statements shall be for the consolidated group; therefore, they shall not be based on a consolidation based on prudential requirements. The reported information shall meet the qualitative characteristics of information and the requirements in ESRS 1 paragraphs 54/57 about level of disaggregation: on this basis, if applicable, the undertaking could disaggregate the information between those related to the scope of financial consolidation and the scope of prudential consolidation.