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Mapping AR16 to DRs - Update - Cover note

Objective

- 1 In this session the EFRAG Secretariat will seek comments and feedback from the EFRAG SR TEG members on the revised approach to draft an answer to ID177 which requests a mapping between AR16 matters and disclosure requirements.
- 2 Following due consideration, Secretariat proposes to reclassify this ID as an explanation rather than a narrow scope Implementation Guidance.

Background information

- 3 On the 24 January 2024, the SRB agreed to continue the drafting of implementation guidance and prioritise the Mapping of ESRS 1 AR16 to the disclosures in the topical standards given that questions had been received in the Q&A platform to this regard and this had been a request from the business organisations. In addition, we note that this a theme from the respondents of the draft IG1 public feedback as the disclosures/metrics from the topical standards support the understanding of the boundaries of a sustainability matter being assessed for materiality.
- 4 ID177 question is the following: “Is there a mapping link between the sustainability matters listed in AR 16 and the disclosure requirements in the topical standards or must judgement be used in deciding the disclosures required for a material sustainability matter?”
- 5 This draft explanation forms part of the implementation activities whereby EFRAG issues non-authoritative guidance and it responds to some of the questions raised on this subject through the Q&A platform.
- 6 From an ESRS architectural point of view, this mapping is considered a pre-requisite for drafting the sector standards and operationalising the sector materiality.

Analysis on the matter

- 7 The EFRAG Secretariat considered the opportunity to develop a detailed table/matrix showing how each of the disclosure requirements relates to each of the matters in AR 16. This would take the form of a spreadsheet.
- 8 The EFRAG Secretariat dismissed such format, as it could encourage a “check-list” mentality and a mechanical approach to materiality assessment, which is something EFRAG should discourage.

- 9 The following considerations have been taken into account when drafting the Explanation in its current form:
- a. Clarification that this mapping should be used only after the materiality assessment has been performed in compliance with the ESRS.
 - b. Focus the mapping on the exceptions where the general rule that a given metric applies to all sub-topics and sub-sub-topics of a topical standard doesn't apply to ensure simplicity.
 - c. Reclassification to an explanation rather than narrow scope implementation guidance.

Draft explanation ID177 – Direction of answer

- 10 Draft ID177 explanation refers to ESRS 1 Definition of materiality of information (paragraph 31), ESRS 1 General requirements AR16, ESRS 1 Appendix E: Flowchart for determining disclosures under ESRS (and related paragraph 33 (on policies, action plans and targets) and 34 (on metrics)).
- 11 Draft ID177 explanation also refers to DRAFT IG1 2.2 Understanding key concepts for the materiality assessment and DRAFT IG1 2.3 Criteria to determine the materiality of information
- 12 Draft ID177 lists the exceptions of metrics that relate to one or some sub-topic or sub-sub-topics but not all the sub-topics/sub-sub-topics of a topical standard. Disclosure requirements metrics not included in the table relate to the topic as a whole.

Next steps

- 13 If approved by SR TEG and SRB, EFRAG Secretariat will finalise the draft explanation and include it in the due process for Q&As.

Additional agenda papers

- 14 In addition to this paper, the EFRAG Secretariat presents the following additional paper: (a) Agenda paper 05-02 ID 177 Draft explanation

Questions to EFRAG SR TEG members on Agenda paper 05-02

15. Do EFRAG TEG members agree with the proposed reclassification to an explanation? If not, please explain.
16. Do EFRAG TEG members agree with the ID177 draft explanation approach and table? If not, please explain.