

Cover Note

ESRS E4 – list of comments from TNFD

Background

- 1 EFRAG ran a public consultation on 13 ESRS Exposure Drafts (EDs) from the end of April 2022 to the 8 of August 2022.

Purpose of this session

- 2 To discuss and approve the proposed detailed course of action to address the confidential comments received from the Taskforce on Nature-related Financial Disclosures, including identification of topics that need to be further discussed (with the support of issue papers and SR TEG discussions) before a specific change to the standard is actually defined and agreed upon.

EFRAG Secretariat assessment and recommended course of action

- 3 The EFRAG Secretariat has conducted an assessment of the comments received in the public consultation. **Agenda Paper 05-02** presents the outcome of this assessment. Per each comment the papers document the proposed course of action, with the following wording conventions:
 - (a) No action: the EFRAG Secretariat acknowledges the comment, however, does not consider necessary or appropriate to propose a change to the standards in order to accommodate the comment/reservation/suggestion. The reasons for this are explained in the column 'EFRAG Secretariat comments'.
 - (b) To be discussed: the EFRAG Secretariat considers that, due to different views that exist between different categories of stakeholders or due to the low support rate of this question in the statistics from the consultation or due to the complexity of the topic, a dedicated technical discussion is needed before a change to the draft standards can be defined in detail and agreed upon. In this case the column 'Issue paper needed?' shows in which Issue paper the topic will be covered. The issue papers will be presented at future SR TEG/SRB meetings (some of them have been already discussed in SR TEG/SRB at this stage).
 - (c) To be aligned: the EFRAG Secretariat proposes to modify the text of the standard as illustrated in the column 'EFRAG Secretariat comments'.
 - (d) To be considered: the EFRAG Secretariat proposes to consider this suggestion when finalizing the standard (differently from 'to be aligned', here the comment doesn't allow to immediately identify the change but further consideration is needed, without triggering a SRB discussion as the point is not as complex or controversial as it would be for the 'To be discussed').
 - (e) Ongoing: the assessment/change to the standards is in progress.

Questions to SR TEG members and observers

- 4 With regards to the **interaction between EFRAG and TNFD**: Would you agree that EFRAG should liaise closely with TNFD and set-up an institutional cooperation agreement as soon as feasible to deepen and officialise the technical interactions on issues such as international alignment, transition plans and scenario analysis?
- 5 With regards to **dependencies**, the CSRD requires “a description of the principal risks to the undertaking related to sustainability matters, including the undertaking’s principal dependencies on such matters, and how the undertaking manages those risks” (Art 19 a) 2) f)). Such concept is defined in ESRS 1 para 55 “Such dependencies are sources of financial risks or opportunities”. i) Would you agree that ESRS E2 to E5 shall explicitly consider dependencies? ii) Would you agree to introduce the explicit concept of dependencies in ESRS 2- IRO-2 or ESRS 2- IRO- 2 Application guidance?
- 6 Do you have any other comments on this assessment?