

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB. The paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

The ESRS Q&A Platform by EFRAG aims to offer non-authoritative guidance on technical implementation questions related to European Sustainability Reporting Standards (ESRS). EFRAG assumes no responsibility or liability whatsoever for the content or any consequences or damages direct, indirect or incidental arising from following the advice or guidance contained in the answers. Users of this platform are advised to exercise their own judgment. Information, including answers to the questions raised contained in this document, should not be substituted for the services of an appropriately qualified professional.

Log of explanations approved by SR TEG and commented on by SRB and EC

[*Pending additional language/editorial review.]

** Suggested changes in track changes made by EFRAG Secretariat to address comments received.]

QUESTIONS TO EFRAG SRB

REFER TO QUESTIONS IN THIS DOCUMENT.

DO YOU APPROVE THE CHANGES, SO THAT THE DOC CAN BE RELEASED?

Table of contents

ID 32 - Methodology for presenting information on employees.....	2
ID 33 - Definitions of non-employees.....	4
ID 36 – Energy mix.....	5
ID 39 – SBM1 sector breakdown and phase-in.....	7
ID 43 - Scope 3 GHG emissions for Insurance company.....	9
ID 58 - Transitional provisions 750 employees.....	11
ID 81 - Subsidiaries, holding company – alignment for GHG protocol.....	14
ID 106 - Entity specific guidance and examples.....	16
ID 109 - Disclosure Requirement E1-6.....	18
ID 157 - ESRS 2 GOV disclosures and specifications in the topical ESRS.....	20
ID 162 - Minimum number of material matters.....	22
ID 167 - GHG Protocol Scope 3; Sector.....	23
ID 180 - Time horizon: impact vs financial materiality.....	25

ID 32 - Methodology for presenting information on employees

Question asked

Is there a materiality approach for the people reporting in place (for example, if 99% of the workforce are full-time employees, the difference between our existing FTE reporting and head count is negligible. Does an additional head count reporting have to be set up or can we keep FTE reporting and provide background information for the users?)

ESRS reference

ESRS S1 paragraph 50(a), [ESRS S1 paragraph 50](#) (b) and (d), ESRS S1 paragraph 52(a) and (b); ESRS S1 paragraph [55\(b\)\(i\)](#), [ESRS S1 paragraph 55\(b\)\(i\)](#), ~~ESRS S1 paragraph AR 55~~

; ESRS 1 paragraph 34

Key terms: Methodology to compile data; FTE

Background

Disclosure Requirement S1-6 on characteristics of the undertaking's employees requires information on ~~employees by headcount for ESRS S1 paragraph 50(a) and it allows for the undertaking to select between two methodologies for headcount for the breakdown of employees required by ESRS S1 paragraph 50 (b). The options provided in ESRS S1 for paragraph 50 (b) are head count or full-time equivalent (FTE); the same options apply to the voluntary datapoints in ESRS S1 paragraph 52 (a) and (b). This is also aligned with ESRS S1 paragraph AR55, which provides the tables to disclose information on employees by contract type, either by head count or FTE. the number of employees and a number of breakdowns. The objective of S1-6 is for the undertaking to provide insight into its approach to employment and to provide contextual information that aids an understanding of the information reported in other disclosures and to serve as the basis for calculating quantitative metrics to be disclosed under other disclosure requirements in this Standard.~~

~~Furthermore, ESRS S1 paragraph 50(a) requires the disclosure of "the total number of employees by head count, and breakdowns by gender and by country for countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees." This requirement on number of employees is consistent with ESRS 2 SBM-1 paragraph 40 (a) (ii) whereby headcount data is also required.~~

~~This disclosure requirement allows for undertaking to select between two methodologies to calculate the number of employees, either headcount or full-time equivalent (FTE), for the following breakdowns in ESRS S1-6:~~

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

~~The voluntary disclosures on ESRS S1 paragraph 52(a), (b) follow the same approach as detailed above whereby there is an option of disclosing information on full-time and part-time employees by either head count or FTE.~~

ESRS S1 paragraph 50(d) requires a "description of the methodologies and assumptions used to compile the ~~data' on the characteristics of the undertaking's employees, data,~~ including whether the numbers are reported ~~(i) in head count or full-time equivalent (FTE);~~ :

- ~~(i) in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined)."~~

Furthermore, ESRS S1 paragraph AR55 Table 3 and 4 provide the relevant tables to present this information (Table 3: “Template for presenting information on employees by contract type, broken down by gender (head count or FTE)”, Table 4 “Template for presenting information on employees by contract type, broken down by region (head count or FTE)”).

Answer

Disclosure Requirement ESRS S1-6 allows for two options for reporting employee numbers, depending on the data point concerned. The data point on the total number of employees (ESRS 1 paragraph 50(a)) shall be reported in terms of head count, since headcount is the relevant metric for labour law and social policy (as head count triggers many rights in social and labour law) and this is also consistent with the requirements in ESRS 2 SBM-1 paragraph 40 (a) (iii).

Recognising that it is common in some countries to report detailed employee information in full-time equivalent (FTE) terms, S1-6 allows undertakings an option to report other data points (permanent, temporary and non-guaranteed hours contract types and full-time, part-time contract types) in either headcount or FTE. According to ESRS S1 paragraph 50(b) and paragraph 52 (a) (b), the undertaking has two options to report the information of employees by contract type: -head count or full time equivalent (FTE). In addition, (ESRS 1 S1 paragraph AR 55 tables 3 and 4 contain the ~~table~~ templates that ~~undertaking~~ undertakings are to use to disclose this information ~~by either headcount or FTE. Regulation differs across countries, thus ESRS S1 paragraph 50 (b) and paragraph 52 (a) (b) allow for reporting head count or FTE.~~).

ESRS S1 paragraph 50(d) requires disclosures on the methodology applied and ESRS S1 paragraph 50(e) on contextual information permits the undertaking to disclose relevant facts and circumstances for the users of the sustainability statement subject to the provisions of ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures.

It should be noted that the option to report employee numbers in either headcount or FTE metrics is explicitly allowed only in in S1-6 and in S1-7 in reporting on non-employees in own workforce. For the other the metrics in ESRS S1 (i.e. from ESRS S1-8 to ESRS S1-17), the disclosures requirements and their related application requirements define the methodology to follow for calculating quantitative information on employees (for example, ESRS S1-14 AR80 on health and safety).

ID 33 - Definitions of non-employees

Question asked

Which groups can be considered as employees or non-employee workers in line with the German HGB respectively other national laws?

ESRS reference

- ESRS S1 paragraph 50(a), ESRS S1 paragraph 55(a), ESRS S1 paragraph 4, ESRS S1 paragraph AR3
- Key terms: Non-employees; Employees

Background

ESRS S1 paragraph 4 describes the scope of ESRS S1 and states: “this Standard covers an undertaking’s own workforce, which is understood to include both people who are in an employment relationship with the undertaking (“employees”) and non-employees who are either people with contracts with the undertaking to supply labour (“self-employed people”) or people provided by undertakings primarily engaged in “employment activities” (NACE Code N78). See Application Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect their status pursuant to applicable labour law.”

In addition, ESRS S1 paragraph AR3 gives a number of examples of people that fall within the ~~scope~~category of non-employees and are included within “Own workforce” ~~for~~, these are: (a) contractors (self-employed persons) ~~or~~ and (b) people employed by a third party engaged in ‘employment activities’ which include people who perform the same work that employees carry out.”

Answer

~~Assessing whether certain groups can be considered as employees or non-employees requires to refer to ESRS S1 paragraph 4 in relation to the status of employees and non-employees pursuant to applicable labour law at country level. There~~ Since there is no definition of “employee” provided under EU ~~legislation~~law, status as an employee is determined at national level according to national laws ~~or~~ and practice.

~~As specified in ESRS S1 paragraph 4,~~ (employees are individuals who are “in an employment relationship with the undertaking according to national law and practice.”). Assessing whether certain groups can be considered as employees or non-employees requires referring to ESRS S1 paragraph 4 in relation to the status of employees and non-employees pursuant to applicable labour law at country level.

National labour law or practice of each country defines what type of contracts constitute an employment relationship (i.e., employee) and those that relate to non-employees.

ID 36 – ~~Electricity mixes~~ Energy mix

Question asked

Does disclosure E1-37(b) refer to all forms of energy generated from nuclear sources, such as electricity? Does ESRS E1 paragraph 37(b) also encompass electricity mixes that include fractions of nuclear-generated electricity?-

ESRS reference

ESRS E1-5, ESRS E1 paragraph AR 34, ESRS E1 paragraph AR 35-

Key words: Energy consumption and mix, nuclear source;-

Background

ESRS E1 paragraph 35 – 38 state:

~~35.~~ 35. “The undertaking shall provide information on its energy consumption and mix.

~~36.-36.~~ The objective of this Disclosure Requirement is to provide an understanding of the undertaking’s total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.

~~37.-37.~~ The disclosure required by ESRS E1 paragraph 35 shall include the total energy consumption in MWh related to own operations disaggregated by:

- a. total energy consumption from fossil sources;
- b. total energy consumption from nuclear sources;
- c. total energy consumption from renewable sources disaggregated by:
 - i. fuel consumption for renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources, etc.;

Obtaining the details of the energy mix from suppliers can constitute a challenge for the undertaking. To address this, the ESRS 2 MDR-M paragraph 77 requires the undertakings to disclose the significant assumptions behind the metric, including the limitations of the methodologies used.–

Answer

ESRS E1 paragraph ~~35~~37 (b) requires ~~de the~~ disclosure of total energy consumption from nuclear sources;.

AR32(d) clarifies that the energy to be reported should refer to “final energy consumption”, which includes energy carriers such as electricity, heat and steam which can be and are frequently derived from nuclear sources.–

A company disclosing on ESRS 1 paragraph 35 should thus report final energy consumption taking into account its energy mix, which may involve proportions of nuclear-generated electricity, heat, steam, and cooling; fossil-fuel generated electricity, heat, steam, cooling and fuels; or renewable electricity, heat, steam, cooling and fuels.–

This disclosure requires the undertaking to understand, from its consumption of electricity, which portion ~~originate~~originates from nuclear, fossil or renewables sources. When electricity, heat and

steam are purchased, and the mix includes fractions of nuclear-generated electricity, heat, and steam, these fractions are to be included in the ~~disclosure~~[disclosures under ESRS E1 paragraph 37 \(b\) on total energy consumption from nuclear sources](#). The undertaking should use the information available on the electricity, heat and steam mix to reflect its energy consumption breakdown according to ESRS E1 paragraph 35 accurately.

ID 39 – SBM1 sector breakdown and phase-in

Question asked

What are the ~~'ESRS sectors'~~ 'ESRS sectors' mentioned under the ESRS 2 Disclosure Requirement SBM-1 in paragraph 40 (b)?

ESRS reference

ESRS 2 paragraph 40; ESRS 1 paragraph 137 and Appendix C: List of phased-in Disclosure Requirements Key words:

Key words:

~~Difference between time horizon for impact and for financial materiality~~ List of ESRS sectors

Background

ESRS 2 paragraph 40 states: "The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect sustainability matters: ... (b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors."

ESRS 1 paragraph 137 states: "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."

ESRS 1 Appendix C states: "The undertaking shall report the information prescribed by ESRS 2 SBM-1 paragraph 40(b) (breakdown of total revenue by significant ESRS sector) and 40(c) (list of additional significant ESRS sectors) starting from the application date specified in a Commission Delegated Act to be adopted pursuant to article 29b(1) third subparagraph point (ii), of Directive 2013/34/EU."

Accounting Directive: Article 29b(1) third subparagraph point (ii), of Directive 2013/34/EU.

"In the delegated acts referred to in the first subparagraph the Commission shall, by 30 June 2024, specify: (ii) information that undertakings are to report that is specific to the sector in which they operate."

Answer

~~To fulfil~~ So long as the requirement related to European Commission has not adopted a delegated act specifying the breakdown list of total revenue by significant ESRS sectors (SBM 1 ESRS 2), undertakings will are not required to disclose the information referred to in ESRS 2 paragraph 40 (b).

~~According to the paragraphs copied above in the background as reference, undertakings shall disclose the breakdown of total revenue by significant ESRS sectors. This disclosure requirement is however subject to a phase om of ESRS 1 paragraph 137 and Appendix C in line with the adoption of the delegated act which will list the ESRS sectors (ESRS SEC).~~

~~EFRAG plans to finalise ESRS SEC 1 in the first batch of sectors specific ESRS, tentatively scheduled for November 2025, (delivery to the EC as draft standard, i.e. Delegated Act by June 2026).~~

ID 43 – Scope 3 GHG emissions for Insurance company

Question asked

What is the scope of reporting scope 3 greenhouse gas emissions for insurance companies?-

ESRS reference

ESRS 1, section 3.2 (Material matters and material information).-

ESRS E1 Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, as well as other paragraphs related to Scope 3, in particular: paragraphs:- 44 (c), 45 (c), 46, 51, 52, as well as AR 39 (a) and AR 46 (b).

Principle of relevance, as defined in the “GHG Protocol Corporate Accounting and Reporting Standard” and further articulated in “relevance criteria” by the “GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard”, as well as the “Technical Guidance for calculating Scope 3 Emissions”.-

Key words: Materiality assessment, Materiality, Relevance; Scope 3 GHG emissions, insurance companies, financial investment.-

Background

The determination of the different categories of scope 3 greenhouse gas emissions to include in the Sustainability statement is driven by the materiality assessment of the company, namely in the scope of the analysis of ESRS ~~E11~~ paragraph 31 which determines that “The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an ~~entity-specific~~ entity-specific disclosure, shall be disclosed when the undertaking assesses, as part of its assessment of material information, that the information is relevant from one or more of the following perspectives: (a) the significance of the information in relation to the matter it purports to depict or explain; or (b) the capacity of such information to meet the users’ decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 48 and/or the needs of users whose principal interest is in information about the undertaking’s impacts”.-

If climate change is considered a material topic by the undertaking, insurance companies are required by ESRS E1 paragraphs 44 and 51 to disclose their gross Scope 3 greenhouse gas (GHG) emissions, for each of the Scope 3 categories that they assess to be ‘significant’, encompassing emissions within their upstream and downstream value chain. This includes emissions over which the company does not have direct control but may have a significant impact on its overall carbon footprint and transition risks, as outlined in ESRS E1 paragraph 45.-

In making its evaluation of the “significant Scope 3 categories” the company shall consider, in accordance to ESRS E1 AR39 (a), the principles, requirements and guidance of the GHG Protocol Corporate Standard and its supplement “GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard” (also referred to in this document as “GHGP Scope 3 standard), as well as the GHG Protocol “Technical Guidance for calculating Scope 3 Emissions” (v1.0), a supplement to the GHGP Scope 3 standard.–

The GHG Protocol Scope 3 Category 15 is specifically tailored to financial institutions – which includes insurance undertakings - and the following financial investments and services are required to be reported (under the GHG Scope 3 standard, Table 5.9, pp.52): Equity investments, Debt investments and Project finance.

ESRS E1 paragraph AR 46 states that the financial institution shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022);

Answer

~~All undertakings that assess climate change to be material, are required to disclose~~When reporting on their gross Scope 3 greenhouse gas (GHG) emissions, ~~for each of the undertaking discloses the amounts corresponding to~~ the Scope 3 categories that they consider significant. For investments, this will factor-in the scale of the investments and the associated indirect GHG emissions. The company should follow the principles, requirements and guidance laid out in the GHG Protocol Corporate Standard, the GHGP Scope 3 standard, as well as the associated Scope 3 calculation guidance. Moreover, as stated in ESRS E1 paragraph AR 46 (b), ~~the~~ financial institutions shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), (PCAF), specifically part A “Financed Emissions” (version December 2022).

Supporting material

<https://ghgprotocol.org/sites/default/files/2022-12/Chapter15.pdf>

<https://ghgprotocol.org/scope-3-calculation-guidance-2>

Question to EFRAG SRB

As part of the written consultation with SRB members and observers, an observer noted that the answer does not cover the liability side, i.e. the GHG emissions arising from insurance policies subscribed by clients. There are no explicit requirements in the sector agnostic standards to support the inclusion (nor the explicit exclusion) of this component.

Does the EFRAG SRB agree to include the following text?

“The downstream value chain dimension of scope 3 includes the relationships with clients that subscribe the re/insurance policies. The future EFRAG sector standards will include particular guidance on these aspects.”

ID 58 – Transitional provisions 750 employees

Question asked

If appendix C of ESRS 1 allows companies under 750 employees to omit E4 and S1-4 for the first three years, why does ESRS 2 paragraph 17 then say that the information still needs to be disclosed if considered material? Is there a difference in granularity of information disclosed?

ESRS reference

ESRS 1 Appendix C; ESRS 2 paragraph 17

Background

ESRS 2 paragraph 17 – states the following: “If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1, it shall nevertheless disclose whether the sustainability topics covered respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4 have been assessed to be material as a result of the undertaking’s materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:

- disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 16 ESRS 1 Appendix A that are assessed to be material and briefly describe how the undertaking’s business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;
- briefly describe any time-bound targets it has set related to the matters in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;
- briefly describe its policies in relation to the matters in question;
- briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and
- disclose metrics relevant to the matters in question.” ESRS 1 paragraph 137 states: “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.”

Appendix C of ESRS 1 - List of phased-in Disclosure Requirements has the following table:

ESRS	Disclosure Requirement	Full name of the Disclosure Requirement	Phase-in or effective date (including the first year)
ESRS E4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS E4 for the first 2 years of preparation of their sustainability statement.–
ESRS S1–	All disclosure requirements–	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S1 for the first year of preparation of their sustainability statement.–
ESRS S2	All disclosure requirements–	All	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may

Log of explanations approved by SR TEG and commented on by SRB and EC

		disclosure requirements–	omit the information specified in the disclosure requirements of ESRS S2 for the first 2 years of preparation of their sustainability statement.
ESRS S3	All disclosure requirements–	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S3 for the first 2 years of preparation of their sustainability statement.
ESRS S4	All disclosure requirements–	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S4 for the first 2 years of preparation of their sustainability statement.

Answer

The transitional provisions apply to undertakings or groups that do not have more than an average of ~~ESRS 1 allows companies under~~ 750 employees at the balance sheet for its financial year. The option is to omit the information required by the following topical standards ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ~~S1-4 for~~ ESRS S4.

The regime of these provisions vary depending on the topical standard. The transitional provisions on ESRS S1 only apply to the first ~~three~~ year of preparation of the undertaking’s sustainability statement. For ESRS E4, ESRS S2, ESRS S3 and ESRS S4 the provisions apply to the first two years. ~~However, according to ESRS 2 paragraph 17, if material~~ of preparation of the sustainability statement.

When information about a topic is omitted, the undertaking is nevertheless required to include the topic in the scope of the materiality assessment. When information required by one of these topical standards is omitted but the topic is assessed to be material, “de minimis” disclosures shall be reported covering the material topic in question (ESRS 2 paragraph 17, ~~if material~~).

The materiality assessment covers the environmental, social and governance matters ~~relate to these standards, the phase in is combined with reduced disclosure connected with the undertaking as established by the CSRD (i.e., a climate first approach or environmental only was not the intention of the co-legislators)~~, the sustainability statement is to include a holistic view on sustainability matters regardless as to whether social standards are subject to the transitional provisions. Hence, ESRS 2 para 17 provision aims at ensuring that there is a certain level of “minimal disclosures” that are required regardless of whether the undertaking chooses to apply the transitional provisions.

The transitional provisions allows undertakings to provide less granular information than what is required after the transition period. The information to be provided on the matters are more summarised (i.e. briefly as referred to by the text) than the requirements set out in the five topical standards mentioned above. The main simplifications in paragraph 17 compared to paragraph 48 of ESRS 2 are:

- Paragraph 48 (a); ~~the undertaking may choose to disclose at topic, sub-topic or sub-sub topic level and separate disclosure of material impacts, risks and opportunities is not required. The undertaking is not required to disclose where in its business model, its own operations and its upstream and downstream value chain material IROs are concentrated;~~

- Paragraph 48 (b) relates to how the undertaking takes into account material impacts on its strategy and business model. This information related to impacts can be disclosed at a summarised level without all the granularity required by the datapoints therein;
- Paragraph 48 (c) to (h) set requirements to disclose more detailed information about material IROs. As these IROs are not required to be identified in the transition period, these and (h) and its related datapoints do not form part of the “de minimis” disclosures. While this is not a requirement, in the transitional period it may be helpful to briefly disclose the information on para 48 (c) to contextualise the material impacts identified.

ESRS 2 para 17 (b) to (d) provide de minimis information corresponding to disclosure requirements in topical standards, when an undertaking elects not to disclose topical information in the transition period. ~~ESRS 2 MDR P, MDR A and MDR T that are disclosed for material sustainability matters as required by ESRS 2 paragraph 17 (a) to (e): Undertakings need to disclose brief descriptions on the matters. Therefore, t~~ The transitional provision allows requires a for a summarised description of the policies, actions and targets related to the material matters. and does not require to fulfil the detailed datapoints in MDR (P, T, A) in ESRS 2 and /or in topical standards.

As the description has to be brief, this is an exception to the general rule in ESRS 1 paragraph 33, so undertakings do not need to include the Minimum Disclosure Requirements (MDR) for material sustainability matter on policy, actions and targets.

We note that the term “briefly” is not used for metrics in ESRS 2 paragraph 17 (e) whereas is is used for targets, policies and actions in paragraph 17 (b) to (d). This is because metrics cannot be “briefly disclosed”: they are disclosed or not. Undertakings should use judgment to determine which metrics are relevant for the respective sustainability matter.

Finally, for metrics, the undertaking is to apply judgement to fulfill the requirements of metrics in topical standards. Such judgement relates to the number and nature of metrics disclosed (i.e., the undertaking may disclose a reduced number of metrics and not all the metrics that are material) and the level of granularity of the metric (for example, the metric may be presented at a global level without breakdowns).

ID 81 – Subsidiaries, holding company – alignment for GHG protocol

Question asked

Should the companies of a holding company use the same criteria and methodology for GHG emissions?

ESRS reference

ESRS 1 Appendix B: Qualitative characteristics of information, QC10 to QC12 on Comparability and consistency;

ESRS 2, paragraph 77(a);

ESRS E1 paragraphs 50, AR 39(b), AR 42, and AR 46(h).

Key words: GHG protocol, holding companies, alignment in methodology;

Background

[Note: The secretariat will address the question asked as being the following: "Should the subsidiaries of a holding company use the same criteria and methodology for GHG emissions?"]

Considering the criteria in ESRS 1 Appendix B; qualitative characteristics of information, consistency of accounting methodologies it is an aspect that undertakings should take appropriate consideration of.

The EFRAG Secretariat considers that having a common methodology is preferable, given that it facilitates direct comparison and coherent interpretation of emissions data across the holding company's portfolio and this consistency ensures that stakeholders can evaluate the environmental performance of the conglomerate without the convolution of varying calculation methods. It guarantees consistency, comparability, transparency, and the overall integrity of GHG emissions reporting.

ESRS2 paragraph 77(a) requires the disclosure of methodologies and significant assumptions behind metrics; ESRS E1 paragraph AR 39(b), requires the undertaking to disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions; ESRS E1 paragraph AR46 (h), on Scope 3 emissions, requires clarity on the boundaries considered and the methods used for estimating emissions. All these requirements point to the advantages of using a uniform approach for ease of understanding and transparency.

Nevertheless, a uniform methodology is not explicitly required and deviations from a common methodology can be accepted, but they should be disclosed along with the rationale for their use, to meet the transparency requirements set forth by the ESRS (ESRS 2 77, ESRS E1 39(b) and 46(h)).

Answer

All subsidiaries of ~~the~~ holding company shall consider the ~~provisions requirements~~ of ESRS and the ~~rules requirements~~ of GHGP and respective mentioned standards. The holding company shall disclose the methodology and the significant assumptions taken by ~~their~~ subsidiaries regarding GHG emissions as stated in ESRS E1 paragraph AR 39. ESRS allows for flexibility in the methodologies used by different entities within a holding company, provided the qualitative characteristics of information are met. A standardized approach from the onset is advantageous for consistency, comparability, transparency, and the overall integrity of GHG emissions reporting. Deviations from a common methodology can be accepted but should be disclosed, along with the rationale for their use, to meet the transparency requirements set forth by the ESRS. Using diverging methodologies for similar or comparable fact patterns can result in

[information that may not comply with the qualitative Characteristics of Information required by the ESRS \(ESRS 1, Appendix B\).](#)

ID 106 – Entity specific guidance and examples

Question asked

What are concrete examples of potential entity-specific sustainability matters and any guidance related to finding and dealing with such?

ESRS reference

ESRS 1 chapter 10.1 and paragraphs AR 4 and 5; ESRS IG 3 Materiality assessment paragraph 67.

Background

ESRS 1 chapter 10.1 Transitional provision related to entity-specific disclosures states in its paragraphs:

“130. The extent to which sustainability matters are covered by ESRS is expected to evolve as further Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time, in particular as a result of the future adoption of sector specific standards.

131. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it may as a priority:

- a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and
- b) complement its disclosures prepared on the basis of the topical ESRS with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using available best practice and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.”

ESRS1 AR 4 and 5 state:

“AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider: comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity-specific disclosures. The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible; and ...

AR 5. Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.”

Answer

When developing entity-specific disclosures (ESRS 1, paragraph 11), ESRS 1 points to “available and relevant frameworks, initiatives, standards, benchmarks “. Two examples are provided as possible sources of relevant entity-specific disclosures (see ESRS 1 paragraph 131 b): the IFRS industry-based guidance and the GRI Sector Standards

The IFRS industry-based guidance are the former SASB standards, they can be found here:

<https://sasb.org/standards/download/>

<https://sasb.org/standards/download/>

GRI Sector Standards can be downloaded from:

<https://www.globalreporting.org/standards/sector-program/>

<https://www.globalreporting.org/standards/sector-program/>

These two sources offer examples of sector specific information that could complement on an entity-specific basis the information required in sector agnostic ESRS depending on the relevant sector.

In general, there are two types of instances that will give rise to entity-specific information:

- when the undertaking identifies a material matter that is not covered by Disclosure Requirements in ESRS;
- when for a matter that is covered by Disclosure Requirements in ESRS, the undertaking concludes that in order to provide information that meets the qualitative characteristics of the information (Appendix B of ESRS 1) additional disclosures need to be included. This may be the case of a specific aspect of a sub-sub topic (see AR 16 of ESRS 1), when such sub-sub topic is covered in ESRS but the specific aspects (i.e. an additional level of granularity) is not covered. This may also be the case of a specific metric that is not included in ESRS, but-considering the specific facts and circumstances of the undertaking, this metric is necessary in order to provide the appropriate quality of information.

The entity-specific information may relate to the description of a material impact, risk or opportunity (along the lines of ESRS 2 SBM 3), it may relate to policies, actions and targets that the undertaking has set, or it may relate to metrics.

Question to SRB Members

One of the SRB members commented suggesting to provide anonymized examples of entity-specific disclosures. The EFRAG Secretariat considers that it is not appropriate to expand further the content of this Explanation and if additional examples are needed, this would form part of an IG document.

Does the SRB agree not to modify this Explanation?

ID 109 – Disclosure Requirement E1-6

Question asked

Is the “bolded paragraph” following each ESRS Disclosure Requirement a disclosure that the undertaking has to respond to? Or is it simply a "headline" that prescribes what the paragraph will contain once all the individual datapoints are completed? Reference is made to ESRS E1-6.

ESRS reference

ESRS 2 and all topical ESRS, and Disclosure Requirement E1-6

Key terms: bold text in Disclosure requirements

Background

In ESRS 2 and in the topical ESRS Disclosure Requirements are generally followed by a “bolded paragraph” stating “The undertaking shall disclose ...” with a general statement of the [requirement information](#) that needs to be disclosed under the respective Disclosure Requirement.

The “bolded paragraph” is followed by an objective paragraph which is followed by more detailed paragraphs containing the datapoints that must be disclosed under the respective Disclosure Requirement and further specifications of the information requested.

In the case of ESRS E1-6 this is as follows:

ESRS E1 paragraph 44 provides “bolded paragraph” with the general statement of the requirement that needs to be satisfied under DR E1-6;

ESRS E1 paragraph 45 outlines the objective of the disclosure requirement; and

ESRS E1 paragraphs 46 – 52 further specify information to be included when disclosing on ESRS E1 paragraph 44.

This is illustrated as follows:

<i>Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions</i>		Headline
44. The undertaking shall disclose in metric tonnes of CO ₂ eq its ⁴⁵ :	(a) gross Scope 1 GHG emissions; (b) gross Scope 2 GHG emissions; (c) gross Scope 3 GHG emissions; and (d) total GHG emissions.	General statement of the requirement(s)
45. The objective of the Disclosure Requirement in paragraph 44 in respect of:	(a) gross Scope 1 GHG emissions as required by paragraph 44 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes. (...)	Objective of the requirement(s)
46. When disclosing the information on GHG emissions required under paragraph 44, the undertaking shall refer to ESRS 1 paragraphs from 62 to 67. In principle, the data on GHG emissions of its associates or joint ventures that are part of the undertaking's upstream and downstream value chain (ESRS 1 Paragraph 67) are not limited to the share of equity held. For its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions in accordance with the extent of the undertaking's operational control over them.	47. In case of significant changes in the definition of what constitutes the reporting undertaking and its upstream and downstream value chain , the undertaking shall disclose these changes and explain their effect on the year-to-year comparability of its reported GHG emissions (i.e., the effect on the comparability of current versus previous reporting period GHG emissions). (...)	Further specification of the information requested

Answer

The “bolded paragraph” that introduces each Disclosure Requirement is not simply a headline. It is a general [explanation statement](#) of what needs to be disclosed under the respective Disclosure Requirement.

The information provided under a Disclosure Requirement should satisfy the overall objective of it, as stated in the paragraph following the bolded paragraph ('the objective of this Disclosure Requirement is...').

The subsequent paragraphs include a list of datapoints ('the disclosure provided under paragraph XXX shall include...'). This list is generally sufficient to meet the disclosure requirements; however such list cannot be assumed to be exhaustive, as meeting the disclosure requirement takes precedent over the list of datapoints.

In providing the disclosure that corresponds to the list of individual datapoints (and if applicable in the related Application Requirements), it is assumed that the:

- requirements of the "bolded paragraph"; and the
- objective as stated in the subsequent paragraph are both met.

The "bolded paragraph" of ESRS E1-6 (i.e., ESRS E1 paragraph 44) covers: Scope 1, 2, 3, and total GHG emissions. The objective of the Disclosure Requirements also covers Scope 1, 2, 3, and total GHG emissions. While the detailed list of datapoints ~~do~~does not explicitly mention the total GHG emissions, they~~it~~ shall be reported as it is included in both in the bold and in the Objective.

ID 157 – ESRS 2 GOV disclosures and specifications in the topical ESRS

Question asked

If there is no additional guidance, then do the other disclosure requirements do not apply to the topical standard (meaning Gov 1 and Gov 2 don't apply). Or do they all still apply, but there is just more guidance to follow (such that there is more specific guidance for Gov 3 specifically when reporting on E1?)

Please note that the question is reformulated as follows for understandability purposes: When looking at the interaction of requirements in ESRS 2 and requirements in topical standards, can you confirm that when in the topical standard there are no topical specifications to a given disclosure requirement in ESRS 2, there are no additional information stemming from ESRS 2 to be included when reporting according to the topical disclosure requirements (i.e. in this case reporting the datapoints in the topical standard is sufficient)?

ESRS reference

ESRS 2 GOV 1 to GOV 5; ESRS 1 paragraph 29; ESRS E1 paragraph 13

Background

In the architecture of the ESRS, the two cross cutting standards ESRS 1 *General Requirements* and ESRS 2 *General Disclosures* are complemented with 10 topical standards (E, S and G).

ESRS 2 disclosure requirements are 'cross cutting in nature' so they do not refer to a specific topic, but some of them also have topical specifications in the topical standards as explained in ESRS 2 Appendix C. An example is ESRS 2 GOV- 3 Integration of sustainability-related performance in incentive schemes: this disclosure requirement (paragraphs 27-29) has a specification in the climate topical standard ESRS E1 para 13.

A basic principle is that the requirements in the topical standards should be read and applied in conjunction with the cross-cutting standards.

Furthermore, all topical standards are subject to materiality assessment.

Answer

Disclosure Requirements (DRs) and datapoints covered by the cross-cutting standard ESRS 2 General Disclosures are to be reported irrespective of the outcome of the materiality assessment (example GOV-1, GOV-2, GOV-3, GOV-4, GOV-5), see ESRS 1 paragraph 29. The topical specifications on the governance-related disclosure requirements of ESRS 2, for example to GOV-3 in ESRS E1, have to be applied only if the topic in question is material for the undertaking.

The content of ESRS 2 (with the exception of MDR – P, A, T) is not intended to provide a content to be followed in each and every topic, but it provides content that is to be provided at corporate/general level (across all the topics).

However, all topical standards should be read in conjunction with the cross-cutting standards ESRS 1 and ESRS 2, as these apply to the sustainability statement as a whole.

In particular, there are additional datapoints relating to the ESRS 2 DRs in some of the topical standards. These are outlined in the table in [ESRS 2 Appendix C including Disclosure and Application Requirements in Topical ESRS that are applicable in conjunction with ESRS 2 General](#)

disclosures. This includes GOV-1 in ESRS G1 *Business conduct* para 5 and GOV-3 in ESRS E1 *Climate change* para 13.

The topical specification of ESRS 2 DRs listed in appendix C of ESRS 2 provide additional datapoints that shall be included and/or additional considerations that the undertaking has to take into account when preparing the respective ESRS 2 DRs.

In terms of scope of materiality assessment:

- ESRS 1 paragraph 29 also includes the Disclosure Requirements (and datapoints) in topical ESRS related to the DR ESRS 2 IRO-1 Description of the process to identify and assess material impacts, risks and opportunities. Therefore, only ESRS 1 paragraph 29 specifies the Disclosure Requirements always to be included irrespective of the outcome of materiality. Hence, the ESRS 2 IRO-1 requirements in the topical standards are also to be reported irrespective of the outcome of the materiality assessment.
- Other ESRS 2 specifications (cfr. Appendix C) and disclosure requirements in topical standards are subject to materiality. This implies that the undertaking only has to report on them when the respective topic is considered material. This avoids having to report for example on GOV-1 on Business conduct if the standard has been determined not to be material to the undertaking.

• All narrative disclosures including those in ESRS 2 should be applied with consideration to paragraph 31 of ESRS 1, which sets the criteria for assessing the materiality of information to be provided and ultimately affect the granularity of the reported information.

When a Disclosure Requirement in ESRS 2 does not have topical specifications, it has to be applied as specified by that disclosure requirement. No additional datapoints to what in ESRS 2 or considerations at topical level apply in these cases. For example, if ESRS 2 does not set topical specifications for a given topic, ESRS 2 SBM 3 requires nevertheless to disclose material impacts, risks and opportunities for that material matter.

ID 162 – Minimum number of material matters

Question asked

Is there a minimum number of material sustainability matters to be disclosed in the sustainability statement of the undertaking?

ESRS reference

ESRS 1 chapter 3

Key words†

Minimum number of material sustainability matters

Background

ESRS 1 paragraph 28 states: “A sustainability matter is “material” when it meets the criteria defined for impact materiality ... or financial materiality ... or both.”

[draft] ESRS IG 3 paragraph 1 states: “The materiality assessment is the process by which the undertaking determines material information on sustainability impacts, risks and opportunities. This is achieved by the determination of material matters and material information to be reported in the undertaking's sustainability statement. The performance of a materiality assessment based on objective criteria is pivotal to sustainability reporting which shall include relevant and faithful information about all impacts, risks and opportunities (IROs) across environmental, social and governance matters determined to be material from the impact materiality perspective or the financial materiality perspective or both. The undertaking will use judgement when applying the criteria and the related explanations are expected to aim at enhanced transparency from the undertaking to the users of the sustainability statement.”

The Application Requirements in Appendix A of ESRS include a list of sustainability matters covered in ESRS.

Answer

No, minimum (nor a maximum) number of material sustainability matters is required by ESRS, as materiality is based on the undertaking's specific facts and circumstances.

Materiality is a principles-based concept. [draft] ESRS IG 3 – Materiality assessment provides non authoritative guidance on how to conduct the materiality assessment. Materiality of a sustainability matter for an undertaking depends on the specific facts and circumstances related to its strategy, business model, own operations and value chain. Based on those specific facts and circumstances a number of material impacts, risks and opportunities will be identified as a result of the materiality assessment.

As materiality

ID 167 – GHG Protocol Scope 3; Sector

Question asked

Is there a requirement for, or guidance around, the methods allowed to calculate Scope 3 emissions from shipping?

ESRS reference

ESRS 1 Annex B: qualitative characteristics of information

ESRS E1 paragraph 44, ESRS E1 paragraph AR39, AR46

Background

ESRS 1 Annex B on the qualitative characteristics provides important principles and criteria to attend in the consideration of which calculation methodologies and which input data to consider in the preparation of ESRs disclosures.

ESRS E1 paragraph 44 requires the disclosure of gross Scope 3 GHG emission and ESRS E1 AR39 (a) states that the undertaking shall consider the principles, requirements and guidance provided by the GHG protocol Corporate Standard (version 2004), which in this case, also includes the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) (mentioned in ESRS E1 AR 46(a)) as well as the “Technical guidance for calculating Scope 3 emissions (version 1.0).

ESRS E1 paragraph AR 46 details to other requirements related to reporting of Scope 3 GHG emissions. In particular, ESRS E1 paragraph AR 46 (g) highlights the need to disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners.

Other methodological details that go beyond the provisions included in the “Technical guidance for calculating Scope 3 emissions (version 1.0)” are not provided within the ESRS. Additional provisions may be envisaged as part of the future ESRS sector standards.

Answer

The ESRS set reporting standards but do not prescribe detailed calculation methodologies. However, when determining the methodology and input to be used the undertaking shall reflect the criteria defined under ESRS 1 Annex B, qualitative characteristics of information, as well as requirements to consider the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) (mentioned in ESRS E1 AR 46(a)) and the “Technical guidance for calculating Scope 3 emissions (version 1.0)”. Additional provisions may be envisaged as part of the future ESRS sector standards.

|

ID 180 - Time horizon: impact vs financial materiality

Question asked

Is there a difference between the time horizon as defined in ESRS 1 for impact materiality and for financial materiality?

ESRS reference

ESRS 1 chapter 6.4

Key words: Difference between time horizon for impact and for financial materiality

Background

ESRS 1 paragraph 77 states: “When preparing its sustainability statement, the undertaking shall adopt the following time intervals as of the end of the reporting period:

- for the short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements
- for the medium-term time horizon: from the end of the short-term reporting period defined in (a) up to 5 years; and
- for the long-term time horizon: more than 5 years.”

ESRS 1 paragraph 80 states: “There may be circumstances where the use of the medium- or long-term ~~long-term~~ time horizons defined in paragraph 77 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts, risks and opportunities or (ii) the definition of its actions and setting targets. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments or the planning horizons typically used in the undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long- term time horizons (see ESRS 2 BP-2, paragraph 9).”

ESRS 1 Basis of conclusion paragraph 124 states: “The SRB discussed whether to prescribe mandatory time horizons for short-, medium- and long-term for reporting purposes or whether they should be entity-specific based on its business model, industry-characteristics, and its planning horizon. Feedback from public consultation in that respect was ambiguous. Preparers generally preferred an entity-specific approach to be able to use already existing data consistent with their managerial processes, whereas users a more standardized approach for better comparability across undertakings. Noticing that many of the forthcoming first-time sustainability reporters need guidance and to increase comparability the SRB decided to prescribe conventional time periods but to allow deviations from the medium and long- term time horizon based on entity-specific circumstances acknowledging also that – depending on the sustainability matter and sector concerned – other time horizons within the long-term horizon might be useful and therefore prevail at topical level.”

Answer

Time horizons are defined in ESRS 1 chapter 6.4 setting fixed time horizon for short-, medium- and long-term with no distinction made between impact and financial materiality.

However, ESRS 1 paragraph 80 acknowledges that there may be circumstances in which the undertaking uses a different definition of its time horizons compared to the fixed time horizons set in ESRS 1 paragraph 77. This exception to the general rule has been granted to take into

account entity specific circumstances to manage sustainability related impacts, risks and opportunities into account (see also the basis of conclusions of ESRS 1 in that respect in paragraph 6).

When applying either the pre-defined time horizons or when the exception is used and, as a consequence, other entity-specific horizon is used instead of the pre-defined time horizon, potential or actual impacts may have a different time horizon than risks or opportunities arising from the same sustainability matter. Similarly, actions put in place to address impacts may have a different time horizon than actions put in place to address risks or opportunities.