

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, 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.

SR TEG approval - Amended explanations previously objected in public session by SR TEG

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ID 32 – Methodology for presenting information on employees

Category:

Social

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?)

The question has been reworded as follows to be clearer:

- 1) Are both FTE and headcount figures to be reported?
- 2) Can FTE be used as a proxy for head counts if 99% of the workforce are full-time?
- 3) Is there a materiality lens to reporting of characteristics of own workforce?

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 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 the number of employees and the number of breakdowns. The objective of S1-6 is for the undertaking to provide insight into its approach to employment, 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.

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 the undertaking to select between two methodologies to calculate the number of employees, either head count 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 in ESRS S1 paragraph 52(a)(b) follow the same approach as detailed above whereby there is the 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, including whether the numbers are reported:

- (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

1) Are both FTE and headcount figures to be reported?

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 fulltime equivalent (FTE) terms, S1-6 allows undertakings the option to report other data points (permanent, temporary and non-guaranteed hours contract types, and full- and part-time contract types) in either head count or full time equivalent (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. (ESRS S1 paragraph AR 55, tables 3 and 4 contain the templates that undertakings are to use to disclose this information.)

The option to report employee numbers in either head count or FTE metrics is explicitly allowed only in S1-6 and in S1-7 in reporting on non-employees in own workforce. For the other 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 be followed for calculating quantitative information on employees (for example, ESRS S1-14 AR80 on health and safety).

2) Can FTE be used as a proxy for head counts if 99% of the workforce are full-time?

For ESRS S1 para 50 (a) the ESRS adopted text does not provide an option. The undertaking is expected to comply with the text of ESRS by providing the unit of account as defined in the disclosure requirement.

3) Is there a materiality lens to reporting of characteristics of own workforce?

The general the materiality principle also applies when disclosing the data on ESRS S1-6. Hence, the materiality provisions on ESRS 1 para 31 together with the provision of not omitting information that is needed to meet the objective of a Disclosure Requirement (refer to ESRS 1 para 34) are to be complied with.

Question to EFRAG SR TEG

The sub-question n. 2 deserves some discussion before completing the drafting. Following the EFRAG SR TEG discussion, the EFRAG Secretariat presented to the EFRAG SRB a version that included the following:

Practical considerations leading to the use of a different unit of account need to be compatible with the qualitative characteristics of information as defined in Appendix B of ESRS 1.

ESRS S1 paragraph 50(d) requires disclosures on the applied methodology, 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.

This addition triggered discussion in the EFRAG SRB meeting on 21 February 2024.

ALTERNATIVE 1: do not add the two paragraphs in italics, as they go beyond the scope of the question and as the practical considerations should stay in the remit of the undertaking, under the scrutiny of the internal governance, the auditors and if applicable the enforcers. The head count does not seem to be a metric difficult to report, as undertakings already report on it under the Accounting Directive.

ALTERNATIVE 2: Add: When reporting the head counts under ESRS S1 para. 50 (a), practical considerations that would potentially lead to use a different metric need to be compatible with the qualitative characteristics of information as defined in Appendix B of ESRS 1.

The EFRAG Secretariat prefers Alternative 1.

Which of the two alternatives do you support?

Do you have any other comments useful to complete this Explanation?

ID 201 – Oil spill – Chemical spill

Category

Environment

Question asked

Are oil/chemical spills to be reported under DR E2-4 paragraph 28 or elsewhere?

ESRS reference

Disclosure Requirement E2-4 paragraph 28; ESRS E4 Disclosure requirements IRO-1 paragraph AR 9 (b) i; ESRS S1 Disclosure Requirement SBM-3 paragraph 14 (b); ESRS S2 Disclosure Requirement SBM-3 paragraph 11 (c); ESRS S3 Disclosure Requirement SBM-3 paragraph 9 (b)

Key terms

Oil spill; chemical spill; pollution of air, water and soil; incident

Background

Disclosure Requirement E2-4 paragraph 28 requires undertaking to disclose pollutants emitted to air, water and soil. As per E2-6 paragraph 41, the undertaking shall complement this information with “any relevant contextual information including a description of material incidents and deposits whereby pollution had negative impacts on the environment and/or is expected to have negative effects on the undertaking’s financial cash flows, financial position and financial performance with short-, medium- and long-term time horizons”.

Disclosure Requirement E2-4 paragraph AR25 explicitly indicates Best Available Techniques Reference Documents (BREFs) as a reference source for disclosing pollution-related information. It states: “Where the undertaking’s activities are subject to Directive 2010/75/EU [...] on industrial emissions (IED) and relevant Best Available Techniques Reference Documents (BREFs), [...], the undertaking may disclose [...]: (a) a list of installations operated by the undertaking that fall under the IED and EU- BAT Conclusions; (b) a list of any non-compliance incidents or enforcement [...]; (c) the actual performance, as specified in the EU-BAT conclusions for industrial installations, and comparison of the undertaking’s environmental performance against “emission levels associated with the best available techniques” the (BAT-AEL) as described in EU-BAT conclusions; (d) the actual performance of the undertaking against “environmental performance levels associated with the best available techniques” (BAT-AEPLs) [...]; and (e) a list of any compliance schedules or derogations granted by competent authorities [...] that are associated with the implementation of BAT-AELs”.

The Best Available Techniques (BAT) Reference Document for the Refining of Mineral Oil and Gas provides further information on the techniques for the “Prevention of spillages and leaks”, including of “oil spill debris”, in “refining of mineral oil and gas” activities. In particular, it identifies

the pollutants contaminating water through spillages and leakages, which are accidental in nature. It is important, therefore, to account for pollutants as well as incidents when reporting. Within the ESRS, pollutants are to be reported under Disclosure Requirement E2-4 paragraph 28 (a), which requires undertakings to “disclose the amounts of [...] **each pollutant** listed in Annex II of Regulation (EC) No 166/2006 [...] **emitted to air, water and soil**, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change”. To this end, the European Pollutant Release and Transfer Register (E-PRTR) Regulation mentions “spilling” as a particular type of pollutant “release” (Art.2(10)) and lists several chemicals which may be prone to spillage as a single pure substance (ammonia, hydrochloric acid, toluene, vinyl chloride, etc) as well as several that may be spilled as part of complex chemical substances such as crude oil gasoline or diesel (e.g. benzene, naphthalene, PAHs, phenols, etc.) (Annex II "Pollutants"). ~~in the as a pollutant~~ It is to be noted that this Disclosure Requirement prompts undertakings to report all pollutants, irrespective of whether their facilities fall under E-PRTR scope or not.

Likewise, Disclosure Requirement E2-1 paragraph 15 (c) refers to the implementation of policies related to “incidents and emergency situations”. On this note, Article 5(2) of the E-PRTR specifies that operators shall make sure that their disclosures "include information on releases and transfers resulting as totals of all deliberate, accidental, routine and non-routine activities".

~~E-PRTR is concerned with the reporting of amounts from spills and accidents as an annual pollutant emission load.~~ In addition to environmental consequences, oil spills also have social implications (e.g., historically, on local communities). This is indeed reflected in the ESRS as “Incidents” and “spills” are also referred within the social standards: in ESRS S1 Disclosure Requirement SBM-3 paragraph 14 (b), ESRS S2 Disclosure Requirement SBM-3 paragraph 11 (c), and ESRS S3 Disclosure Requirement SBM-3 paragraph 9 (b). This indicates the further requirement to disclose on the social implications of spillages, in addition to the environmental ones in E2, in alignment with the principle that ESRS are mutually interacting with one another. Based on the same principle, biodiversity loss (ESRS E4) is directly impacted by pollution (ESRS E2 paragraph 7(c)). To this extent, it is relevant to also take into consideration the “**Spills of polluting effluents**” referred to as an example of policy transition risk, in ESRS E4 Disclosure requirements IRO-1 paragraph AR9(b)i, suggested to be considered when carrying out the materiality assessment.

Each of the afore-mentioned ESRS includes an “**Interaction with other ESRS**” section. Within this context, ESRS E2 paragraph 7(c) indicates “*Pollution as a direct impact driver of biodiversity loss*” (ESRS E4). Moreover, ESRS E2 paragraph 8 states that “*Material negative impacts on affected communities from pollution-related impacts attributable to the undertaking are covered in ESRS S3 Affected communities*”. In turn, ESRS S3 “*shall be read in conjunction with [...] ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users*” (ESRS S3 paragraph 5).

ESRS 2 paragraph 61 further expands on how to navigate the reporting of information under mutual interaction: “*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*”.

~~Reporting the impacts of spills under these several topics may require different metrics, for example: number, type, substance name and volumes of spills, for pollution; number of animals killed or area affected, for biodiversity; number of deaths or injuries, for own workforce; etc. Currently, there are no specific metrics concerning spills in the ESRS, nor there are requirements related to spillage of complex substances which are there requirements related to the spillage of complex substances that may trigger pollution through different types of pollutants. For this purpose, when an undertaking includes a metric developed on entity specific basis, it shall follow the requirements of ESRS 2 Metrics MDR-M. The forthcoming sector standards may develop sector specific disclosures related to spills.~~

Answer

~~If pollution originating from spills is a material sustainability matter~~ Where a spill can result in a material related pollution-related impacts, ESRS E2 Disclosure Requirement IRO-1 and ESRS E2-1, E2-2 and E2-3 respectively provide the requirements to support the provision of disclosures about pollution-related materiality assessment and about policies, actions and targets for preventing pollution incidents.

As to metric disclosures ~~Based on the identified material sustainability matters and the related topical standards to report on,~~ the undertaking shall primarily disclose metrics on oil or spills and chemical spills the undertaking shall disclose metrics under ESRS E2-4, either by:

- 1) ~~1) reporting on chemical releases to air, water and soil (e.g., required under referring to E-PRTR requirements) as prescribed by E2-4 ((e.g., referring to E-PRTR requirements) the (E)European Pollutant Release and Transfer Register (E-PRTR) Regulation, which mentions "spilling" as a particular type of pollutant "release" in Art.2(10));~~ and/or by
- 2) developing entity-specific metrics (ESRS 1 paragraph 11) on spills following the requirements of ESRS 2 Metrics MDR-M.

Additionally, depending on the actual impacts of the spillage event originating the pollution release, undertakings shall report those impacts in accordance with relevant disclosures to be provided under ESRS E4 (biodiversity) Disclosure Requirement IRO-1, as well as Disclosure Requirement SBM-3 in ESRS S1 (own workforce), S2 (workers in the value chain) and S3 (affected communities), if material.

Reporting the impacts of spills under the ~~above-mentioned~~ several ESRS topics may require different metrics, for example: number, type, substance name and volumes of spills, for pollution; number of animals killed or area affected, for biodiversity; number of deaths or injuries, for own workforce; etc. Currently, there are no specific metrics concerning spills in the ESRS, nor ~~there are requirements related to spillage of complex substances which~~ are there requirements related to the spillage of complex substances that may trigger pollution through different types of pollutants. For this purpose, when an undertaking includes a metric developed on entity-specific basis, it shall follow the requirements of ESRS 2 Metrics MDR-M. The forthcoming sector standards may develop sector-specific disclosures related to spills.

In terms of presentation of the disclosures provided following the requirements of different topical standards, the undertaking ~~could~~ can provide specific information within the scope of a certain topical standard (e.g. pollution), then cross-referencing ~~to~~ it under other interconnected topical standards (e.g. E4, S1) ~~for issues that~~ when addressing a variety of interconnected dependent sustainability matters (see, for instance, ~~ESRS 2~~ paragraph 61).

Supporting material

[Best Available Techniques \(BAT\) Reference Document for the Refining of Mineral Oil and Gas.](#)

[Regulation \(EC\) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register.](#)

ID 251 – Emission factors disclosure

Question asked

Does the disclosure of emission factors include the values in for example 500 gCO₂e/kWh or is the description of the emission factor related to the source of the emission factor sufficient? Is the reporting organisation obliged to make the calculation tools publicly accessible or is only the access for auditors and EU/national authorities mandatory?

ESRS reference

ESRS E1 paragraph 39(b)

Background

ESRS E1 paragraph AR 39(b) states that “*the undertaking shall disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen and provide a reference or link to any calculation tools used*”.

Answer

Question to SR TEG members

~~The text of ESRS E1 AR 39 (b) literally asks to disclose emission factors and reference or link to calculation tools.~~

~~It can happen that emission factors are intellectual property under license from another entity from which the undertaking sources the emission factors values.~~

~~Omissions of information is not allowed, except under ESRS 1 section 7.7 *Classified and sensitive information, and information on intellectual property, know-how or results of innovation*. The EFRAG Secretariat notes that the emission factors do not qualify for the omission under section 7.7.~~

~~How should the requirements in AR 39 be applied in this case?~~

Users of information should be able to understand how the GHG inventory figures have been compiled. For this purpose, it may be sufficient to refer to the sources of emission factors (EF) without providing the actual figures – which could result in too detailed reporting and potentially obscure the relevant information. Alternatively, where the EF is a key determinant of a significant reported figure, it may be useful to disclose the actual values of an emission factor. It is up to the preparer to make the determination of when it is most appropriate to disclose just the source of EFs or to disclose the EF value.

ID 291 – Phase-in 750 employees and topical standards

Question asked

Are the ESRS 2 related Disclosure Requirements in topical standards also subject to the one-/two year phase-in of ESRS 1 for =< 750 employee undertakings?

ESRS reference

ESRS 1 Appendix C: *List of phased-in Disclosure Requirements*;

Key terms; Phase-in 750 employees; ESRS 2 related disclosures in topical standards

Background

ESRS 1 Appendix C has for the topical standards of ESRS E4, S1, S2, S3 and S4 the following phased-in provision for **all disclosure requirements** of the respective ESRS:

“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 (reference of the standard, see above) for the first 2 years (for ESRS S1 “first year”) of preparation of their sustainability statement.”

ESRS 2 paragraph 2

“In the preparation of disclosures under this Standard, the undertaking shall apply the Disclosure Requirements (including their datapoints) set in topical ESRS, as listed in Appendix C of this Standard Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures. The undertaking shall apply the requirements listed in Appendix C: (a) in all instances for the requirements in topical standards related to Disclosure Requirement IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities; and (b) for all other requirements listed in appendix C, only if the sustainability topic is material based on the undertaking’s materiality assessment (see ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures).”

ESRS 2 paragraph 17

“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:

- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR16 ESRS1 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;*
- (b) 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;*
- (c) briefly describe its **policies** in relation to the matters in question;*
- (d) 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;*
- (e) disclose **metrics** relevant to the matters in question.”*

Answer

Yes.

ESRS 1 Appendix C states that the phase-in provisions relate to all disclosure requirements of the topical standards. The term “all disclosure requirements” also includes Disclosure Requirements

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in the respective chapters “ESRS 2 General disclosure” of the topical standards ESRS E4, S1, S2, S3 and S4.

The provisions of ESRS 1 Appendix C in relation to phase-in are to be read in conjunction with ESRS 2 paragraph 17 which establishes minimum disclosures for the topics that have been phased-in and that are material for the undertaking. To comply with these minimum disclosures, The aA materiality analysis at topical level is therefore needed, to identify the material topics of ESRS E4, S1, S2, S3 or S4 subject to ESRS 2 paragraph 17. z

~~ESRS 1 Appendix C states that the phase-in provisions relate to all disclosure requirements of the topical standards. The term “all disclosure requirements” also includes Disclosure Requirements in the respective chapter ESRS 2 General disclosure of the topical standards ESRS E4, S1, S2, S3 and S4.~~

ID 440 – Pollutants emissions – disaggregation

Category

Environment

Question asked

The amount of each pollutant to air, water and soil shall be consolidated over the facilities. Does this mean one single/consolidated value for each pollutant into all categories? Or does this mean one value for emissions into air, one value for emissions into water, and one for emissions into soil?

ESRS reference

Disclosure Requirement E2-4 paragraph 28 (a); Disclosure Requirement E2-4 paragraph 29; Disclosure Requirement E2-4 paragraph AR 22

Key terms

Pollution of air, water and soil; consolidation; disaggregation

Background

Disclosure Requirement E2-4 paragraph 28(a): “The undertaking shall disclose the **amounts** of [...] **each pollutant listed in Annex II** of Regulation (EC) No 166/2006 of the European Parliament and of the Council (European Pollutant Release and Transfer Register “**E-PRTR Regulation**”) emitted to air, water and soil, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change”.

Disclosure Requirement E2-4 paragraph 29: “The amounts referred in paragraph 28 shall be **consolidated amounts** including the **emissions from those facilities** over which the undertaking has **financial control** and those over which it has **operational control**. The consolidation shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded”.

Disclosure Requirement E2-4 paragraph AR 22: “The information required under this Disclosure Requirement shall be **provided at the level of the reporting undertaking**. However, the undertaking **may disclose additional breakdown** including information at site level or a breakdown of its emissions by **type of source**, by sector or by geographical area”.

Regulation (EC) No 166/2006, Article 5(1)(a) on “**Reporting by operators**”: “The operator of each facility that undertakes one or more of the activities specified in Annex I above the applicable capacity thresholds specified therein shall report the amounts annually to its competent authority, along with an indication of whether the information is based on measurement, calculation or estimation, of [...] **releases to air, water and land of any pollutant** specified in Annex II for which the **applicable threshold value specified in Annex II** is exceeded”.

Answer

Undertakings are to disclose the emissions amounts for each of pollutant emissions separately as separate amounts released to air, released to water, and released to soil (ESRS 2 paragraph 27). Consolidation refers to the aggregation of pollutants across the different assets the undertaking financially or operationally controls (ESRS2 paragraph 29). This disaggregation stems from the ESRS requirement to align with the thresholds provided in Annex II of the E-PRTR Regulation, which are divided into these three natural resources. If needed, An undertaking are

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~~also allowed to~~ may also apply a further option to disclose additional breakdowns of its emissions by type of emission source, by sector or by geographical area (ESRS 2 AR22). ~~The consolidation refers to the aggregation of pollutants across the different assets the undertaking financially or operationally controls.~~

Supporting material

[Regulation \(EC\) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register.](#)