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Log of draft explanations

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Cross-Cutting

ID 166 – Scope of consolidation timing of acquisitions and divestments

Question asked

In case an undertaking acquires / (divests from) one or more of its subsidiaries how should the undertaking report on them in the year of acquisition / (divestment)?

ESRS reference

ESRS 1 paragraph 62

Key terms

Acquisition and divestment of subsidiaries in the sustainability statement

Background

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

ESRS 1 paragraph 102 states: ‘When the undertaking is reporting as a consolidated level, it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group regardless of its group legal structure. ...’

The consolidated group comprises the parent company and the subsidiaries financially controlled based on IFRS respectively, applicable national GAAP. A parent company might acquire control / (or lose control) over a subsidiary during the reporting period and is therefore consolidated for the first time on the day control is achieved / (or de-consolidated at the date control is lost) according to applicable accounting requirements.

Answer

The sustainability statement shall be for the same reporting undertaking as the financial statements. Therefore, in the approach of the first-time consolidation (deconsolidation) of newly acquired (disposed) entities, the perimeter for sustainability statement follows the scope and timing applied in the financial statements. This results in a pro-rata inclusion or exclusion of flux metrics (e.g. water consumption, GHG emissions) starting from the data of acquisition or ending to the data of divestment (i.e. date control is acquired or lost).

Similarly to what happens in the preparation of consolidated financial statements, practical considerations might be applied when preparing the sustainability statement, such as not including the data of an entity acquired during the reporting period, when the difference in the relevant metrics would be immaterial, provided that the resulting information still allows to meet the qualitative characteristics of information, including relevance and faithful representation apply (see ESRS 1 paragraph 19).

See also ID 148 *Scope of consolidation – non-EU and unconsolidated subsidiaries*.

ID 172 – Materiality assessment – private equity structures

Question asked

Which material sustainability matters must be identified and assessed in private-equity structures having general and limited partners?

ESRS Reference

ESRS 1 chapters 5.1 Reporting undertaking and value chain and 7.6 Consolidated reporting and subsidiary exemption

Key terms

Materiality assessment; private equity structures; general and limited partner

Background

Private equity (PE) structures usually have a general partner (GP) and limited partners (LP). GP refers to the PE firm that manages a private equity fund. These funds are usually set up as general partnerships with the third-party investors being the limited partners and the PE firm acting as the GP. In addition to raising the funds and administering the daily operations of the fund, the GP is responsible for identifying and closing on investments in portfolio companies of the private equity fund, assisting the portfolio company management teams in maximizing value, and liquidating investments so distributions can be made from the partnership to the LPs. LPs are the ones who have arranged and invested the capital for the private equity fund but are not really concerned about the daily maintenance of the fund whereas GP are investment professionals who are vested with the responsibility of making decisions with respect to the investments.

For answering the above question, it is assumed that neither the GP nor the LPs consolidate the portfolio company in their respective financial statements as neither of them control the portfolio company financially.

ESRS 1 paragraph 62: 'The sustainability statement shall be for the same reporting undertaking as the financial statements.'

ESRS 1 paragraph 63: 'The information about the reporting undertaking provided in the sustainability statement shall be extended to include information on the material impacts, risks and opportunities connected with the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain ("value chain information").'

Answer

General and limited partners of private-equity structures must identify and assess material sustainability matters in own operations and in their value chain.

If neither the general partner nor the limited partner(s) consolidate the portfolio company(ies) in their respective financial statements because neither of them exercises financial control over the portfolio company(ies), impacts, risks and opportunities of the portfolio company(ies) are not part of own operations of the general partner nor of the limited partner(s) sustainability statements.

The general partner provides management services to the portfolio company(ies) through the private equity fund. So, also in absence of financial control, the portfolio company is a business relationship in the general partner's downstream value chain. Accordingly, the general partner shall identify and assess material impacts, risks and opportunities connected with the portfolio company in its downstream value chain.

The limited partner is typically providing funds for its investment in portfolio companies. Please refer to Implementation Guidance Value Chain: FAQ 2: Are financial assets (loans, equity, and debt instruments) considered business relationships that trigger value chain information?

To note: ID 285 Asset managers; investment entities; scope of sustainability statements treats the scope of the sustainability statement assuming that the portfolio company is controlled by the asset manager/ the holding company.

ID 185 – Objective evidence and stakeholders’ opinion

[To note: this is the revised version based on SRT objections 7 March; it was asked to change the question and the related answer]

Question asked

When assessing the materiality of a sustainability matter, is the focus on stakeholder opinions or on objective evidence?

ESRS reference

(Draft) IG1 chapter 3.5 *Role of stakeholders in the materiality assessment process*; FAQ 10 *Should the assessment of impacts, risks or opportunities rely on quantitative information?*; FAQ 15 *Do the ESRS mandate to actively engage in dialogue with affected stakeholders for the materiality assessment process?*; and FAQ 16 *Can the undertaking prioritise some categories of stakeholders for the materiality assessment process? How?*

Key terms:

Materiality assessment; stakeholder opinion vs. objective evidence

Background

[To note: to better address the issue addressed by the submitter it was agreed to change the question received from: ‘When evaluating sustainability matters, is the focus on stakeholder opinions or on objective evidence?’ to the question above.]

ESRS 1 para. 24 states: ‘Engagement with affected stakeholders is central to the undertaking’s ongoing due diligence process (...) and sustainability materiality assessment.’

ESRS IG1 FAQ 10 *Should the assessment of impacts, risks or opportunities rely on quantitative information?* states (paragraphs 168 to 171):

‘Where possible, yes, as quantitative measures of IROs are the most objective evidence of their materiality.

The level of comfort sought by the undertaking from quantitative information depends on whether there are scientific validated data and on consensus reached on the given impact. For example, global reports or industry information on a given topic, such as negative impacts on biodiversity loss, could provide the quantitative information needed without the need for the undertaking to incur additional research or data collection costs.

Quantitative information is not always available or may result in additional costs. Whenever a qualitative analysis is sufficient for the undertaking to reasonably conclude that a matter is “not material” or is “material”, additional quantitative information would not add value to the materiality assessment. As the materiality assessment process evolves over time, the undertaking may redefine the balance between qualitative or quantitative information.

Quantitative information would however be of interest where a topic is on the edge of being material/non-material based on qualitative information and/or where there are diverse views. In that case, quantification could corroborate the conclusion. This could include impact valuation, which has the advantage to make different impacts comparable.'

ESRS IG1 FAQ 15 *Do the ESRS mandate to actively engage in dialogue with affected stakeholders for the materiality assessment process?* states (paragraph 186): 'The ESRS require disclosure on the assessment and its outcomes but do not mandate specific behaviour on stakeholder engagement or the due diligence process.'

ESRS IG1 FAQ 16 *Can the undertaking prioritise some categories of stakeholders for the materiality assessment process? How?* states (paragraph 189): 'Engagement with affected stakeholders helps the undertaking to understand which sustainability matters are sources of concern for the respective stakeholders and how they are affected. This information may be useful input to the assessment.'

Answer

When assessing the materiality of a sustainability matter there is no dichotomy between consideration of views of affected stakeholders and objective evidence.

The materiality analysis should be driven as much as possible by objective data and evidence. Scientific evidence is the focus in some cases, depending on the type of topic and availability of such evidence. In other cases, depending on the topic, the views of affected stakeholders are a source of supportable evidence for impact materiality. However, not all the stakeholders' opinions are equally relevant for the materiality analysis.

Elements useful to address this question can be found in (Draft) IG 1 Materiality assessment [NOTE PENDING THE FINALIZATION OF IG 1 – NUMBER OF PARAGRAPHS TO BE UPDATED BEFORE FINAL PUBLICATION]:

- paragraph 186: the ESRS require disclosure on the materiality assessment and its outcomes but do not mandate specific behaviour on stakeholder engagement or the due diligence process;
- paragraph 188: stakeholder engagement informs the identification and assessment of material impacts; and
- paragraph 28: The materiality assessment should be based upon supportable evidence and rely to the maximum extent possible on objective information.

ID 296 – Location of ESRS 2 related Disclosure Requirement of topical standards

Question asked

Do the ESRS 2 related Disclosure Requirements in topical standards have to be reported in the general section of the sustainability statement or in the respective topical section?

ESRS Reference

All topical ESRS

Key terms

ESRS 2 related Disclosure Requirements in topical standards

Background

ESRS 1 paragraph 115 states: 'The undertaking shall structure its sustainability statement in four parts in the following order: general information environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852) social information and governance information. Respecting the provision in section 3.6 Material impacts or risks arising from actions to address sustainability matters of this Standard when information provided in one part contains information to be reported in another part the undertaking may refer in one part to information presented in another part avoiding duplications. ...'

ESRS 2 paragraph 49 states: 'The undertaking may disclose the descriptive information required in paragraph 46 {reference to ESRS 2 SBM-3 Disclosure Requirement} alongside the disclosures provided under the corresponding topical ESRS, in which case it shall still present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under this chapter of ESRS 2.'

ESRS 2 related disclosures in topical standards are identified by a reference to ESRS 2 Disclosure Requirements as follows: 'Disclosure Requirement related to ESRS 2 GOV-1, ... ESRS 2 GOV-3; ... ESRS 2 SBM-2, ... ESRS 2 SBM-3; and ... ESRS 2 IRO-1'.

Answer

ESRS 2 related Disclosure Requirements in topical standards must be reported in the general section of the sustainability statement as they are part of the general disclosures of ESRS 2. They are presented alongside the relevant ESRS 2 disclosure (e.g. ESRS 2 IRO-1 related).

For ESRS 2 SBM-3 related disclosures there is an option to present them alongside the topical disclosure if the undertaking makes the election in ESRS 2 paragraph 49.

ID 337 – Metrics calculation – same level of precision

Question asked

When calculating metrics for sustainability matters that are material for a group, do the data of all subsidiaries have to be considered with the same level of accuracy, even if the matter is not material for some subsidiaries of the group?

ESRS reference

ESRS 1 Chapter 2 Qualitative characteristics of information;

Key terms: Metrics calculation – same level of accuracy

Background

The following example refers to metrics in the context of water and marine resources; however, it should be noted that the question discussed similarly applies to all sustainability matters and metrics and that the sub-topic "water" was chosen for illustration purposes only.

Example: The main business of a group is manufacturing and selling a specific product which is produced in a water-intensive production process in various own facilities. The group further owns and operates several sales corporations abroad with a limited number of employees working in offices not involved in production related activities. The group determines that all topics and sub-topics mentioned ESRS E3 on Water and marine resources are material and concludes that all metrics governed by ESRS E3 need to be disclosed.

Furthermore, based on a preliminary estimate, the group notes that its production facilities will bear the vast majority of the amounts of all metric data on this topic, whereas the sales corporations account for a marginal portion that the group considers not material. However, the group is aware of the requirement to calculate the metrics based on the parent company and all subsidiaries of the group. Therefore, it has established processes and procedures to measure directly and with precision the part of the metrics attributable to the group's production facilities, whereas it continues to determine the part of the metrics attributable to its sales corporations based on estimations, such as average per capita figures. The total metrics disclosed is, therefore, the total of the portion directly measured and a respective estimate.

ESRS 1 paragraph 87 states: 'When quantitative metrics and monetary amounts including upstream and downstream value chain information (see chapter 5 of this Standard) cannot be measured directly and can only be estimated measurement uncertainty may arise.'

ESRS 1 paragraph 89 states: 'The use of reasonable assumptions and estimates including scenario or sensitivity analysis is an essential part of preparing sustainability-related information and does not undermine the usefulness of that information provided that the assumptions and estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B of this Standard).'

Answer

When providing metrics data, the undertaking is expected to comply with the text of ESRS by providing the metric as defined in the disclosure requirement.

Where for practical consideration, in light of the immateriality of the amounts related to specific sites, the undertaking consider using an estimate with a lower level of accuracy for those sites, it should refer to the need to provide information that meets the qualitative characteristics (ESRS 1 chapter 2).

In the example mentioned, the undertaking will have to consider whether measuring precisely the portion of the metrics attributable to the production facility and using an estimate for the immaterial portion attributable to the sales corporation, will result in a degree of accuracy for the entire metric that is consistent with the qualitative characteristics of quality.

Reference is made to (Draft) IG 1: *Materiality assessment implementation guidance* – FAQ 18: *Does the undertaking use the same criteria when defining the level of disaggregation across all IROs?* dealing with related issues.

ID 426 – Structure of the sustainability statement

Category

Cross cutting standards

Question asked

I wish to know the structure of the sustainability statement that needs to be published in the management report. While you have provided a structure in Appendix F, it seems to not be detailed. Are we meant to follow the exact format as given under each ESRS? Is there a template that can be provided to effectively disclose information?

ESRS Reference

ESRS 1 Chapter 8, [ESRS 1 Appendix F](#)

Key terms

Structure of ESRS the sustainability statement

Background

ESRS 1 paragraph 111 states: 'Sustainability information shall be presented:

- (a) in a way that allows a distinction between information required by disclosures in ESRS and other information included in the management report; and
- (b) under a structure that facilitates access to and understanding of the sustainability statement in a format that is both human-readable and machine-readable.'

ESRS 1 paragraph 115 states: 'The undertaking shall structure its sustainability statement in four parts in the following order: general information environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852) social information and governance information. Respecting the provision in section 3.6 Material impacts or risks arising from actions to address sustainability matters of this Standard when information provided in one part contains information to be reported in another part the undertaking may refer in one part to information presented in another part avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix F of this Standard.'

Answer

No, there is no requirement in ESRS to follow the exact format as given under each ESRS.

The only ESRS requirement is: 'The undertaking shall structure its sustainability statement in four parts in the following order: general information, environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852), social information and governance information.'

Appendix F provides an example how to structure the sustainability statement aligned with the general requirement under chapter 8 of ESRS 1 without further limiting the flexibility of the preparers to present the related disclosures.

To note: the structure of the sustainability statement shall meet the qualitative characteristics of information (see ESRS 1 Appendix B).

ESRS XBRL Taxonomy helps to prepare the sustainability statement in a more structured way, facilitating the tagging of the ESG information. Therefore, EFRAG recommends using the ESRS XBRL Taxonomy to structure the sustainability statement in an organised way (defined as 'taxonomy centric report') that facilitates the tagging system required by the machine-readable format.

ID 442 – Entity Specific Metric

Question asked

Do entity-specific metrics also need to be developed, if it is a topic that is covered in the standards, but only for a specific part of the VC?

ESRS Reference

ESRS 1 paragraphs 11, 30, AR 1-5 and AR 16, ESRS 2 paragraphs 48 (h), and 51; and ESRS 2 MDR

Key terms

entity-specific disclosure on matters not covered by ESRS Disclosure Requirements

Background

The submitter provided the following background to her question: ‘... For example, a company has identified a matter as material for which the topic of water is relevant in the value chain. In the ESRS E3 standard, the topic of water in the value chain is covered by data points in the areas of Policies, Targets and Actions. However, the associated metric relates exclusively to the company's own business activities (ESRS E3 paragraph 28-29). Can it now be deduced from paragraph 30 b) in ESRS 1 that the company must develop an entity-specific metric for this matter because there is insufficient "granularity" here? Or has the EU deliberately limited the metric to its own business activities so that no metric for water use in the value chain has to be explicitly developed?’

ESRS 1 paragraph 11 states: ‘In addition to the disclosure requirements laid down in the three categories of ESRS when an undertaking concludes that an impact risk or opportunity is not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances it shall provide additional entity-specific disclosures to enable users to understand the undertaking’s sustainability-related impacts, risks or opportunities. Application requirements AR 1 to AR 5 provide further guidance regarding entity-specific disclosures.’

ESRS 1 paragraph 65 states: ‘The undertaking shall include material value chain information when this is necessary to:

- (a) allow users of sustainability statements to understand the undertaking’s material impacts, risks and opportunities; and/or
- (b) produce a set of information that meets the qualitative characteristics of information (see Appendix B of this Standard).’

Answer

Entity-specific disclosure shall be provided in addition to the Disclosure Requirements laid down in three categories of ESRS (i.e. cross-cutting, topical and sector-specific standards) when an undertaking concludes that an impact, risk or opportunity is not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances (ESRS 1 paragraph 11).

If an undertaking has concluded that a topic is material in its value chain, but the relevant topical standard only requires to disclose metrics related to own operations, the provision of metrics that cover specifically the value chain shall be considered and provided if such metrics are necessary according to paragraph 11 of ESRS 1. Sector ESRS are expected to include additional metrics, including on the value chain.

Supporting material

ESRS 1 chapter 5.2 is on ‘Estimation using sector averages and proxies’.

ID 482 – Breakdown of total revenue - financial institutions

Category

Cross-cutting

Question asked

How is total revenue of a credit institution defined and how is it divided into ESRS sectors? Is it the sector "credit institution" or the sectors for the business portfolio? I.e. the sectors of the financed portfolio?

ESRS Reference

ESRS 2 paragraph 40

Key terms

Breakdown of total revenue; financial institutions

Background

[To note: The submitter asked the following question which was amended as stated above to align to the wording of ESRS 2 paragraph 40: 'How is total income of a credit institution defined and how is it divided into ESRS sectors? Is it the sector "credit institution" or the sectors for the business portfolio? I.e. the sectors of the financed portfolio?']

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 2 paragraph AR 12 states: 'To provide the information on sectors required by paragraph 40, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption "others" shall be used.'

Answer

Total revenue of a credit institution according to ESRS 2 paragraph 40 is defined as included in its financial statements, when applicable, or in other sections of the management report when such sections include alternative performance measures of revenue .

Credit institutions should not refer to the sectors of the financed portfolio for the purposes of ESRS 2 paragraph 40. For presenting the revenue breakdown by ESRS sector, they should refer to the sectors in which they directly operate, not to the sectors in which their clients operate.

Reference is made to ID 395 Net revenue.

ID 504 – Disclosure Requirements on material metrics when information is not available

Category

Cross-cutting

Question asked

If the undertaking cannot disclose the information regarding policies, actions, or targets, it shall then disclose this to be the case and may report on a timeframe to have these in place. Is this also the case for metrics?

ESRS Reference

ESRS 2 BP-2 – Disclosures in relation to specific circumstances, paragraph 11 Sources of estimation and outcome uncertainty

Key terms

Unavailability of information on material metrics

Background

According to ESRS 1 paragraph 33, if the undertaking has not established policies, taken actions, or set targets for the topic, then it shall disclose this to be the case and may report a timeframe in which it aims to have these in place (see also ESRS 1 Appendix E: Flowchart for determining disclosures under ESRS).

According to ESRS 1 paragraph 34, the undertaking shall disclose information on metrics, if the Disclosure Requirement or the individual datapoint are assessed material.

Clarification is needed in the case where the information of a Disclosure Requirement or datapoint on metrics is assessed as material, but the undertaking does not have the information available.

ESRS 2 paragraph 11 requires disclosures on sources of estimation and outcome uncertainty.

Answer

The treatment of paragraph 33 of ESRS 1 is limited to policies, actions and targets and cannot be applied by analogy to metrics, to which paragraph 34 instead applies.

According to ESRS 2 BP-2, if a metric is subject to a high level of measurement uncertainty the undertaking shall disclose information about the sources of measurement uncertainty (for example, availability and quality of data) and disclose the assumptions, approximations and judgments the entity has made in measuring it.

ID 517 – Disclosure of thresholds

Question asked

- 1) How to document on setting thresholds?
- 2) How to disclose about threshold setting? Is it enough to just generally explain how the thresholds for the materiality assessment are set or is it necessary to explain each threshold separately?

ESRS Reference

Key terms

Disclosure of thresholds

Background

[The question received: 'How to document on setting thresholds? Is it enough to just generally explain how the thresholds for the materiality assessment are set or is it necessary to explain each threshold separately?' was reworded for clarity to the question above.]

ESRS 2 paragraph 53 (b) iv states: 'The undertaking shall disclose:

...

- (b) an **overview of the process** to identify, assess, prioritise and monitor the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's due diligence process, including an explanation of whether and how the process:

...

- (iv) prioritises negative impacts based on their relative severity and likelihood, (see ESRS 1 section 3.4 Impact materiality) and, if applicable, positive impacts on their relative scale, scope and likelihood, and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.4 Impact materiality;

- (c) an **overview of the process** used to identify, assess, prioritise and monitor risks and opportunities that have or may have financial effects. The disclosure shall include:

...

- (ii) how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk and opportunities (such as the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.3 Financial materiality);'

ESRS 2 paragraph 59 states: 'The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the impacts, risks and opportunities that it has assessed to be material, including the use of thresholds and/or how it has implemented the criteria in ESRS 1 section 3.2 Material matters and materiality of information.'

Answer

1) *How to document on setting thresholds?*

ESRS do not set behavioural requirements nor impose requirements to document the evidence that supports the information reported in the sustainability statement. As explained in (draft) IG 1 Materiality Assessment Implementation Guidance FAQ 12 Should the materiality assessment be documented/evidenced? the ESRS do not prescribe specific documentation, however it is reasonable to expect that a certain level of documentation will be produced. This could be used for internal purposes and for the assurance providers of the undertaking's sustainability statement.

2) *How to disclose about threshold setting? Is it enough to just generally explain how the thresholds for the materiality assessment are set or is it necessary to explain each threshold separately?]*

Disclosing or explaining each threshold separately is not necessarily needed in all circumstances. ESRS 1 and 2 require disclosing an overview of the process to identify, assess, prioritise and monitor ...

- (a) impacts ... including an explanation of whether and how the process ... determines which sustainability matters are material ..., including the qualitative or quantitative thresholds and other criteria ...; and
- (b) risks and opportunities ... including how the undertaking assesses ... risk and opportunities such as the qualitative or quantitative thresholds and other criteria ... '.

Depending on its specific facts and circumstances, the description and disclosure of thresholds may be more or less granular. Information about thresholds as well as information about the materiality process in general and its components may be aggregated when this is compatible with paragraph 54 to 57 of ESRS 1.

ID 552 – Comparative information

Question asked

Does the company need to report data for previous years?

Reference

ESRS 1 chapters 7.1, 10.3, and 6.3

Key terms

Comparative information, Base year

Background

ESRS 1 paragraph 83 states: 'The undertaking shall disclose comparative information in respect of the previous period for all quantitative **metrics** and monetary amounts disclosed in the current period. When relevant to an understanding of the current period's sustainability statement the undertaking shall also disclose comparative information for narrative disclosures.'

ESRS 1 paragraph 85 states: 'Sometimes it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target or retrospective restatement to correct a prior period error and it may be impracticable to recreate the information (see ESRS 2 BP-2). When it is impracticable to adjust comparative information for one or more prior periods the undertaking shall disclose this fact.'

ESRS 1 paragraph 86 states: 'When an ESRS requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that ESRS shall prevail.'

Some requirements (i.e. targets) provide the disclosure of the **base year** (see chapter 6.3 of ESRS 1), defined as the historical reference date or period for which information is available and against which subsequent information can be compared over time. In this context, comparative information is required in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, unless the relevant Disclosure Requirement already defines how to report progress.

ESRS 1 paragraph 136 states: 'To ease the first-time application of this Standard the undertaking is not required to disclose the comparative information required by section 7.1 Presenting comparative information in the first year of preparation of the sustainability statement under the ESRS.'

Answer

Yes, the undertaking shall report comparative information in respect of the previous period for all quantitative metrics and monetary amounts disclosed in the current period. Narrative disclosures shall only be disclosed for previous periods when relevant to an understanding of the current period's sustainability statement.

Special provisions apply when it is impracticable to disclose comparative information (ESRS 1 paragraph 85). Some requirements (i.e. targets) provide the disclosure of the base year, regarding the disclosure of the progress towards a target. Comparative information is required in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target (ESRS 1 chapter 6.3).

A phase-in provision exists exempting undertakings for the first year of preparation of the sustainability statement to provide comparative information (ESRS 1 paragraph 136).

ID 628 – Content Index

Question asked

'Content index': How are companies to format this disclosure? Are companies expected to use reference codes to the DR codes? Is it to be published as a Reference Table/Index or can it be more narrative in the management reports like TCFD?

ESRS Reference

ESRS 1 chapter 8; ESRS 2 IRO-2

Key terms

Content index

Background

ESRS 2 paragraph 56 states: 'The undertaking shall include a list of the Disclosure Requirements complied with in preparing the sustainability statement, following the outcome of the materiality assessment (see ESRS 1 chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This may be presented as a **content index**. The undertaking shall also include a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate "Not material" in the table in accordance with ESRS 1 paragraph 35.'

Answer

The undertaking shall include:

- a list of the Disclosure Requirements complied with, including the page numbers and/or paragraphs where the related disclosures are in the sustainability statement (ESRS 2 paragraph 56). This may be presented as a **content index**.
- a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate "Not material" in the table in accordance with ESRS 1 paragraph 35.'

There is no predefined format for this disclosure nor for the content index.

Environment

ID 186 – Substances of very high concern

(For your information: This ID goes together with ID 226 and 301 as it is on different nuances of the same topic. ID 186 has been objected in an earlier meeting of SRT)

Question asked

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

ESRS reference

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

Key terms: substances of very high concern; SVHC

Background

Disclosure Requirement E2-1 mandates that the undertaking discloses how its policies address the substitution and minimization of substances of concern (SoC), as well as the phase out of substances of very high concern (SVHCs), within its own operations and throughout its supply chain.

The main goal of the EU policies regarding SVHCs is to ensure a high level of protection of human health and the environment, by phasing them out where possible.

As explained in Annex II to Commission Delegated Regulation (EU) 2023/2772, Substances of Very High Concern (SVHCs) are those that meet the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation.

ECHA's website includes a public registry of intentions in order to allow interested parties to be aware of the substances for which the authorities intend to submit Annex XV dossiers and thus facilitates timely preparation of the interested parties for commenting later in the process.

Once an Annex XV SVHC dossier has been prepared outlining the scientific evidence for identifying the substance as a SVHC, a consultation of the Member States and interested parties is required, as specified in Article 59 of REACH. Further details on this consultation process are available on the ECHA website at <http://echa.europa.eu/proposals-to-identify-substances-of-very-high-concern>.

At the end of the process laid down in Article 59, the substance may be included in the Candidate List – which is the list relevant for the identification of SVHC (please see ID 301).

As the inclusion of substances on the Candidate List results in a number of immediate legal obligations on the listed substances on their own, in mixtures, or in articles, it is an indication that these substances are of concern to authorities, and they might be prioritized for further regulation.

Answer

The requirement in ESRS E2, paragraph 15 (b) is to indicate whether and how the undertaking's policy aligns with the public policy objectives of phasing out SVHCs, as outlined in REACH and in line with the ambitions of the Chemicals Strategy for Sustainability.

To identify SVHCs, undertakings consult the candidate list of substances of very high concern managed by the European Chemicals Agency pursuant to Article 59(10) of Regulation (EC) No 1907/2006 (REACH). The Candidate List is provided by the European Chemical Agency (ECHA) on its official website and can be directly consulted by undertakings for information purposes.

Please also refer to explanations ID 226 and ID 301 for further information on Substances of (Very High) Concern.

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

ESRS E2 Disclosure Requirement IRO-1 requires undertakings to explain how it determined the materiality of pollution-related impacts, risks and opportunities. ESRS 1 paragraph 33 adds that *“When disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter”*.

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 28 (a) further addresses disclosures on pollutants by referencing relevant regulation: *“disclose the amounts of [...] each pollutant listed in Annex II of Regulation (EC) No 166/2006 [...] emitted to air, water and soil”*. 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 Article 5 (2) E-PRTR Regulation specifies that operators have to *“include information on releases and transfers resulting as totals of all deliberate, accidental, routine and non-routine activities.”* 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.

Spills are not, however, an issue relegated to ESRS E2 disclosure alone. Under the section *“Interaction with other ESRS”*, ESRS E2 paragraph 7 and 8 make clear its interaction with other environmental and social topics. As an example, ESRS E2 paragraph 7(c) indicates *“Pollution as a*

direct impact driver of biodiversity loss” (ESRS E4), when considering other environmental impacts and ESRS E4 (biodiversity and ecosystem) refers to “**Spills of polluting effluents**” as an example of policy transition risk (E4-IRO-1 paragraph AR9(b)(i)).

Oil spills also have social implications and “incidents” and “spills” are referred in ESRS S1-SBM-3 paragraph 14 (b), ESRS S2-SBM-3 paragraph 11 (c), and ESRS S3-SBM-3 paragraph 9 (b). These paragraphs indicate the requirements 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.

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*”.

Answer

Where spills can result in material pollution-related impacts, undertakings shall disclose in accordance with the provisions of ESRS E2-IRO-1 (materiality assessment) and ESRS E2-1 (policies), E2-2 (actions) and E2-3 (targets).

Concerning quantitative information on oil and chemical spills, undertakings shall also disclose metrics by reporting on chemical releases to air, water and soil as prescribed by E2-4 referring to E-PRTR (European Pollutant Release and Transfer Register) Regulation, which mentions “spilling” as a particular type of pollutant “release” in Art.2(10). With this regard, undertakings are also to provide complementary contextual information on incidents, if these had negative environmental impacts and whenever they resulted in or are expected to have (material) financial effects (E2-6 paragraph 41). If applicable, undertakings shall develop entity-specific metrics too, in accordance with ESRS 1 paragraph 11 and ESRS 2 Metrics MDR-M.

Furthermore, spills can have material adverse impacts on water availability, ecosystems and human health. Therefore, undertakings shall report those impacts in accordance with relevant disclosures to be provided under ESRS E3-1 (policies regarding prevention or abatement of water pollution), ESRS E4-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 afore-mentioned several ESRS topics may result in undertakings needing to work with different metrics, for example: amounts of pollutants, for pollution; metrics that measure changes in the number of individuals of a species, for biodiversity; number of fatalities or number of days lost to work-related injuries or ill-health, for own workforce; etc. Currently, there are no specific metrics concerning spills in the sector agnostic ESRS, nor are there requirements related to the spillage of complex substances that may trigger pollution through different types of pollutants. The forthcoming sector standards may develop sector-specific disclosures related to spills.

In terms of the presentation of disclosures, the undertaking can first provide specific information within the scope of one topical standard (e.g. pollution), then cross-reference this information to other interconnected topical standards (e.g. E4, S1) when addressing sustainability matters that are interconnected (ESRS 2 paragraph 61).

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.](#)

ID 226 – Substances of (very high) concern

(This ID has been approved by SRT subject to editorial in an earlier meeting. It is provided here for information purposes as it relates to ID 186 and 301)

Category

Environment

Question asked

What is the difference between "Substances of concern" (SoCs) and "Substances of very high concern" (SVHC) in disclosure Requirement E2-5?

ESRS Reference

Disclosure Requirement E2-5;

ESRS Glossary "*Substances of concern*" and "*Substances of Very High Concern (SVHCs)*"

Key terms

Substances of concern; substances of very high concern; SoC; SVHC

Background

Please check background to ID 301 on lists of SoC and SVHC and hazard classes.

Answer

As per the ESRS Glossary, Substances of Concern constitute a broader group of substances, including: (i) SVHC (meeting the criteria laid down in Art. 57 and 59 of the REACH), (ii) substances classified in one of the hazard classes or hazard categories listed in Part 3 of Annex VI of the CLP regulation, as well as (iii) substances that negatively affect the re-use and recycling of materials in the product in which it is present, as specified in relevant EU product-specific ecodesign requirements (forthcoming).

Please also refer to ID 186 and 301 for further information on Substances of (Very High) Concern.

Supporting material

[Regulation \(EC\) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals \(REACH\).](#)

[Regulation \(EC\) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures \(CLP\).](#)

ID 301 – Substances of very high concern

Question asked

- 1) What are the lists of substances of concern (SoC) and substances of very high concern (SVHC) to be considered?
- 2) What are their respective main hazard classes?

ESRS reference

Disclosure Requirement E2-5 paragraph 34

Key terms

substances of concern; substances of very high concern; SoC; SVHC

Background

A substance of concern (SoC) is a 'substance that meets at least one of three criteria, as per definition in ESRS Glossary:

- 1) meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006 of the European Parliament and of the Council – this group of substances corresponds to Substances of Very High Concern;
- 2) is classified in Part 3 (which lists hazardous substances for which harmonised classification and labelling have been established at Community level) of Annex VI (Harmonised classification and labelling for certain hazardous substances) to Regulation (EC) No 1272/2008 of the European Parliament and of the Council (Regulation on classification, labelling and packaging (CLP) of substances) in one of the following hazard classes or hazard categories:
 - a) carcinogenicity categories 1 and 2;
 - b) germ cell mutagenicity categories 1 and 2;
 - c) reproductive toxicity categories 1 and 2;
 - d) endocrine disruption for human health;
 - e) endocrine disruption for the environment;
 - f) Persistent, Mobile and Toxic or Very Persistent, Very Mobile properties;
 - g) Persistent, Bioaccumulative and Toxic or Very Persistent, Very Bioaccumulative properties;
 - h) respiratory sensitisation category 1;
 - i) skin sensitisation category 1;
 - j) chronic hazard to the aquatic environment categories 1 to 4;
 - k) hazardous to the ozone layer;
 - l) specific target organ toxicity, repeated exposure categories 1 and 2;
 - m) specific target organ toxicity, single exposure categories 1 and 2;
- 3) or negatively affects the re-use and recycling of materials in the product in which it is present, as defined in relevant Union product-specific ecodesign requirements.'

ESRS Glossary defines substances of very high concern (SVHC) as substances 'that meet the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH)' and that are 'identified in accordance with Article 59(1) of that Regulation'.

Following Article 57 of REACH, the substances here below may be identified as SVHC:

- a) under the Regulation (EC) No 1272/2008 as: a) carcinogenic of category 1A and 1B; b) mutagenic category 1A and 1B; c) toxic for reproduction category 1A and 1B;
- b) under Annex XIII of REACH as: d) persistent, bioaccumulative and toxic; e) very persistent and very bioaccumulative;

- c) other substances for which there is scientific evidence of probable serious effects to human health or the environment which give rise to an equivalent level of concern to those of other substances listed above and which are identified on a case-by-case basis such as those having endocrine disrupting properties.

The list relevant for the identification of SVHC is the "[Candidate List of substances of very high concern for Authorisation](#)", which compiles the list of substances that are potential candidates for inclusion in Annex XIV (Authorisation list).

Concerning SoC, these will include the SVHC in the lists above (criterion 1), as well as all substances corresponding to criterion 2 – but for which, at this stage, a comprehensive list cannot be presented. Nevertheless, substances regulated under CLP would have information that could allow their assessment as being SoC. Furthermore, ECHA provides a database to filter Annex VI by specific hazard classes: the [C&L Inventory](#). As to criterion 3, it is still not yet fully regulated and, hence, there is currently no disclosure requirement for this group. However, both existing standard product specification from CEN/CENELEC, academic literature or other sources could provide valuable guidance to assess the risks of use of certain substances in products that may potentially fall within criterion 3 – nonetheless, no list can be provided at this stage.

For further information, please also refer to ID 186 on phase-out of SVHC, and to ID 226 on differences between SoC and SVHC.

Answer

1) *What are the lists of substances of concern (SoC) and substances of very high concern (SVHC) to be considered?*

Substances of Concern include:

- a) the Substances of Very High Concern;
- b) the substances classified in one of the hazard classes or hazard categories listed in Part 3 (Table 3.1) of Annex VI of CLP ; as well as
- c) substances that negatively affect the re-use and recycling of materials in the products in which they are present, as defined in the relevant EU product-specific eco-design requirements (forthcoming).

The list of substances covered by point (a) is available by consulting the "[Candidate List of substances of very high concern for Authorisation](#)" managed by the [European Chemicals Agency](#) (ECHA), pursuant to Article 59(10) of the REACH Regulation.

The list of substances covered by point (b) is available by consulting the table of harmonised entries in Annex VI to CLP, containing all updates¹ to the harmonised classification and labelling of hazardous substances, which are available in [Table 3 of Annex VI to the CLP Regulation](#), managed by the ECHA. ECHA also provides a database ([C&L Inventory](#)) to filter Annex VI by specific hazard classes.

As for point (c), currently there are no Union product-specific eco-design requirements available, hence, no published lists for these substances.

2) *What are their respective main hazard classes?*

¹ Please note that the most recent updates to Table 3 of Annex VI to CLP are not necessarily already included in the most recent consolidated version of CLP but can be found in the respective Commission Delegated Regulations amending that Table.

Log of explanations

Undertakings may refer to the regulatory sources, respectively REACH and CLP, to identify information on the definitions and lists of substances, as well as for further indications on hazard classes. Please also check background information.

Please also refer to explanations ID 186 and ID 226 for further information on Substances of (Very High) Concern.

Supporting material

[Regulation \(EC\) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals \(REACH\).](#)

[Regulation \(EC\) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures \(CLP\).](#)

Governance

ID 560 – Minimum Disclosure Requirements in ESRS G1

Question asked

Undertakings are required, for financial or in-kind political contributions, to report the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking, aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary. Does that include a requirement to disclose the exact name of the beneficiary, or simply its type?

ESRS Reference

ESRS G1-5

Key terms

In-kind political contributions

Background

ESRS G1-5 paragraph 29 states the following: ‘The disclosure required by paragraph 27 shall include: ... (b) for financial or in-kind political contributions: i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary ...’

Answer

The Disclosure Requirement refers to the type of recipient/beneficiary and does not extend to the name of the beneficiary.

XBRL

ID 326 – Implementation of data points

Question asked

Why are some ESRS paragraphs and Application Requirements (AR) implemented as separate data-points in IG 3 – *List of ESRS Data Points* and some are not?

Background

IG 3 (Implementation Guidance 3 - List of ESRS Data Points) and the ESRS XBRL Taxonomy provide non-authoritative implementation guidance on the datapoints required by ESRS. It supports the application of sector agnostic ESRS adopted as delegated act on 31 July 2023 (see EFRAG IG 3: List of ESRS datapoints – Explanatory note, Chapter Content and objective of this Implementation Guidance).

ESRS E1 paragraph 36 states: ‘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.’

ESRS E1 paragraph AR36 states: , When preparing the information on energy intensity required under paragraph 40, the undertaking shall:

- (a) calculate the energy intensity ratio using the following formula: ...’

ESRS E1 paragraph AR38 states: ,The reconciliation of net revenue from activities in high climate impact sectors to the relevant financial statements line item or disclosure (as required by paragraph 43) may be presented either:

- (a) by a cross-reference to the related line item or disclosure in the financial statements;
or
- (b) if the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format. ...’

Answer

IG 3 *List of Data Points* (as well as the ESRS XBRL Taxonomy) have dedicated and separate items only for the individual datapoints of ESRS Disclosure Requirements. The datapoints are often indicated by terms equal or like ‘shall disclose’, ‘shall describe’ or ‘may disclose’. All paragraphs of ESRS 1, some paragraphs and Application Requirements of the other topical ESRS provide objectives, methodological or other guidance that are to be considered when preparing or disclosing sustainability statements according to ESRS. Those paragraphs are not implemented as separate data points.

The following examples illustrate when paragraphs in ESRS are considered separate data point or not:

- ESRS E1, paragraph 36: Not a datapoint, because it describes the objective of the disclosure requirement E1-5 on Energy Consumption.
- ESRS E1, paragraph AR 36: Not a data point, because it provides calculation guidance on the energy consumption.
- ESRS E1 paragraph AR 38, implemented as separate data point, due to the character of the AR which defines how the reconciliation of net revenue from activities in high

Log of explanations

climate impact sectors to the relevant financial statements line item or disclosure may be presented.

Supporting material

Explanatory note of the ESRS IG1 List of Data Points, 22 December 2023

[Methodology and Architecture of the \[Draft\] ESRS XBRL Taxonomy as approved from the SRB on 26 April 2023.](#)

[Draft ESRS Set 1 XBRL Taxonomy - Explanatory Note and Basis for Conclusions \(chapter A1.2\), 8 February 2024](#)