



EFRAG ESRS Q&A Platform **COMPIRATION OF EXPLANATIONS**

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EFRAG
sustainability reporting

Disclaimer

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This Compilation of Explanations relates to the sector agnostic ESRS as adopted by the European Commission on 31 July 2023. Sector-specific standards may add sector specifications.

The content of each Explanation has been drafted to provide an answer to a specific technical question and cannot be directly extended by analogy to a different fact pattern.

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Note: Refer to '[Appendix I: Table of ID release date](#)' to identify the most recently issued Compilation of Explanations.

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The Questions in this document are identified by the progressive number (ID) that they receive at the beginning of the submission to the Q&A Platform. The system attributes identification numbers also to partial submissions. For this reason, the ID number is not indicative of how many questions EFRAG has finally received.

Introduction

EFRAG has started the collection of questions related to ESRS through the [EFRAG ESRS Q&A Platform](#) on 24 October 2023. EFRAG releases explanations following due process on a regular basis. Explanations are non-authoritative in nature, answer technical questions on ESRS by showing where in the standards the content is provided and how to navigate them accordingly.

EFRAG has, since October 2023, released the following batches of explanations (number of explanations):

February 2024	12
March 2024	12
May 2024	44
July 2024	25
November 2024	<u>64</u>
Total	<u>157</u>

The next major update of the Compilation of Explanations is expected to be released in Spring 2025. This document contains all 157 explanations on a consolidated basis. The questions are identified by a progressive identification number (ID) that they received when submitted to the Q&A Platform.

To inform when an explanation has been included in this document a release date is provided for each explanation. Furthermore, Appendix I: [Table of ID release date](#) shows when an explanation has been released.

Acknowledging that undertakings may need sufficient time to consider the content of an issued Explanation, nevertheless they would be expected to consider them on a timely basis.

Explanations are grouped by topical area:

- (a) ESRS General Requirements and General Disclosures;
- (b) Environmental ESRS;
- (c) Social ESRS;
- (d) Governance ESRS; and
- (e) XBRL and datapoints.

To order the explanations in a systematic manner and to increase usability for those looking for an explanation, they were allocated to ESRS Disclosure Requirements respectively in the case of ESRS 1 to its chapters.

A [key word index](#) in Appendix II supports the search of questions.

The Compilation of Explanations has in Appendix III a log of now 133 questions received that were [categorised as ‘already asked’](#) including a reference to where they have been already answered.

For convenience purposes hyperlinks have been added:

- (a) to the official text of the respective ESRS including the corrigendum published on 18 April 2024 after each ESRS heading in this document ([ESRS including Corrigendum](#));

- (b) to IG 1 Materiality Assessment at the beginning of ESRS 1 chapter 3 *Double materiality as the basis for sustainability disclosures* section and IG 2: Value Chain at the beginning of ESRS 1 chapter 5 *Value chain* section;
- (c) to Question ID 177 - Mapping sustainability matters as listed in ESRS 1 paragraph AR 16 with Disclosure Requirements, which due to its importance and volume has been published in a separate document; and
- (d) within the explanations to cross-referenced to other explanations mentioned when answering the question.

Questions related to ESRS General requirements and general disclosures

ESRS 1 General requirements

ESRS 1 General requirements

ESRS 1 chapter 1 Categories of ESRS standards, reporting areas, and drafting conventions

Question ID 29 and ID 261 – ‘May’ and ‘shall’ reporting requirements

Release date

July 2024

Question asked

- (1) What is the meaning of ‘may disclose’ in ESRS? How does that relate to ‘shall disclose’?
- (2) Can you explain this based on ESRS Disclosure Requirement S1-12?

In addition, the following more specific questions have been received in ID 261 related to the ‘may’ and ‘shall’ reporting requirements:

- (3) Does the materiality assessment take precedence over ESRS 1 paragraph 18?
- (4) Is an undertaking required to disclose a datapoint that is not material if it is a ‘shall disclose’ datapoint?
- (5) Can an undertaking disregard the disclosure of a ‘may disclose’ datapoint if the datapoint is material?
- (6) What is the relevance of ESRS 1 paragraph 18 if materiality takes precedence over ESRS 1 paragraph 18?

ESRS reference

ESRS 1 paragraphs 18, 77 and 80; ESRS 1 Chapters 1 to 3.5; ESRS 2 paragraph 62 and 72

Key terms

Voluntary disclosure requirements (‘may disclose’)

Background

ESRS 1 paragraph 18 states: ‘ESRS uses the following terms to distinguish between different degrees of obligation on the undertaking to disclose information:

- (a) “shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint; and

(b) “may disclose” – indicates voluntary disclosure to encourage good practice.’

ESRS S1 paragraph 79 of Disclosure Requirement ESRS S1-12 is a ‘shall’ disclosure and states: ‘The undertaking shall disclose the percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data.’

ESRS S1 paragraph 80 of Disclosure Requirement ESRS S1-12 is voluntary and states: ‘The undertaking may disclose the percentage of employees with disabilities with a breakdown by gender.’

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.’

In ESRS E1 paragraph AR 32, instead of ‘may disclose’ the expression ‘can disclose’ is used as a synonym; see, e.g. the statement ‘When preparing the information on energy consumption required under paragraph 35 ... The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures’.

Answer

- (1) What is the meaning of ‘may disclose’ in ESRS? How does that relate to ‘shall disclose’?**
- (4) Is an undertaking required to disclose a datapoint that is not material if it is a ‘shall disclose’ datapoint?**

The drafting convention used in the ESRS is defined in ESRS 1 Chapter 1.3. The terms ‘shall disclose’ and ‘may disclose’ are used to distinguish the degree of obligation on the undertaking to disclose information; these are defined in ESRS 1 paragraph 18. The terms ‘shall disclose’ and ‘may disclose’ are to be applied in light of the materiality provisions of ESRS (refer to ESRS 1 Chapter 3.2 to 3.5).

- (a) All the ‘shall’ datapoints in ESRS 2 *General Disclosures* are to be reported as they are outside the materiality assessment. This includes the datapoints in topical standards that relate to ESRS 2 Disclosure Requirement IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities* (see ESRS 2 Appendix C: *Disclosure and Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures*).
- (b) If a topic is not material for the undertaking, the ‘may’ and ‘shall’ datapoints in the corresponding topical standard are not to be reported as the undertaking does not report on non-material topics.
- (c) If a topic is material for the undertaking, the ‘shall’ datapoints in the respective topical standard that relate to ESRS 2 (refer to Appendix C of ESRS 2 for the complete list by topical standard) must be reported.
- (d) If a topic is material for the undertaking, the undertaking discloses the information corresponding to the ‘shall’ datapoints in the topical standard in relation to policies, actions and targets (PAT) as well as the information corresponding to the datapoints in ESRS 2 MDR-P, MDR-A and MDR-T. If the undertaking cannot disclose the information on PAT required under relevant topical ESRS because such PAT are not in place for the

specific material matter, it shall disclose this to be the case and provide reasons for not having PAT. The undertaking may disclose a timeframe in which it aims to adopt them.

- (e) If a topic is material for the undertaking, the undertaking discloses the information corresponding to the ‘shall’ datapoints in the topical standard in relation to metrics if that information is assessed to be material (refer to ESRS 1 paragraph 34), i.e. the undertaking is not required to disclose a ‘shall disclose’ datapoint that is not material.
- (f) If a topic (or a matter) is material for the undertaking, the undertaking decides whether or not to include the ‘may’ disclosure datapoints related to that matter; however, it is encouraged to disclose it as good practice, but it is not a requirement.

The criteria in paragraph 31 of ESRS 1 (significance of the information and users’ needs) are the point of reference to be used when:

- (a) defining the granularity of the content of the information provided under points (a), (c) and (d) above; and
- (b) assessing the materiality of the information under point (e) above.

(2) Can you explain this based on ESRS Disclosure Requirement S1-12?

Assuming that the sub-subtopic ‘employment and inclusion of persons with disabilities’ is assessed to be material, the undertaking must disclose the metric ‘percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data’ (ESRS S1 paragraph 79). While this is not a requirement, it may provide a breakdown by gender as an optional good practice (ESRS S1 paragraph 80).

(3) Does the materiality assessment take precedence over ESRS 1 paragraph 18?

No, for optional disclosures the materiality assessment does not take precedence over ESRS 1 paragraph 18. This means that for a topic that is assessed as material (see previous example on S1-12) it is optional, but the undertaking is encouraged to disclose a ‘may’ datapoint also if the information pertaining to the datapoint in question is material.

See also the paragraph that is in the answer to question (1) above.

(5) Can an undertaking disregard the disclosure of a ‘may disclose’ datapoint if the datapoint is material?

Yes, see example on ESRS S1-12. This is due to the nature of the ‘may’ datapoint (a voluntary datapoint to encourage good practice).

(6) What is the relevance of ESRS 1 paragraph 18 if materiality takes precedence over ESRS 1 paragraph 18?

ESRS 1 paragraph 18 illustrates the nature or drafting convention used for the datapoints, and it has to be applied in conjunction with the materiality considerations – i.e. the ‘shall’ datapoints are still subject to materiality assessment.

Question ID 106 - Entity-specific guidance and examples

Release date

February 2024

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 10, AR 4 and AR 5

Key terms

Entity-specific disclosures

Background

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

‘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.’

ESRS 1 paragraph 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.

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

At this stage, it is not possible to provide concrete examples as this will depends on facts and circumstances of the reporting undertaking, including the sector(s) it is operating in. Sector-specific sustainability matters will be addressed in the future sector standards still to be finalized.

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 is the former SASB standards; they can be found here: <https://sasb.org/standards/download/> and GRI Sector Standards can be downloaded from <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:

- (a) when the undertaking identifies a material matter that is not covered by Disclosure Requirements in ESRS; and
- (b) 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 for a specific aspect of a sub-subtopic (see AR 16 of ESRS 1) when such a sub-subtopic is covered in ESRS but the specific aspects (i.e., an additional level of granularity) is not covered. This may also be the case for 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 ID 109 - Bold text and ESRS E1 Disclosure Requirement E1-6

Release date

February 2024

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? See also ESRS E1 Disclosure Requirement E1-6.

ESRS reference

ESRS 1 and all topical ESRS, especially ESRS E1 Disclosure Requirement E1-6

Compilation of Explanations January—November 2024

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Key terms

‘Bolded paragraph’; ESRS E1 Disclosure Requirement E1-6

Background

In ESRS 2 and in the topical ESRS, Disclosure Requirements are generally followed by a ‘bold paragraph’ stating ‘The undertaking shall disclose . . .’ with a general statement of the information that needs to be disclosed under the respective Disclosure Requirement.

The ‘bold 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 being requested.

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

ESRS E1 paragraph 44 provides a ‘bold paragraph’ with the general statement of the requirement that needs to be satisfied under ESRS E1 Disclosure Requirement 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:

Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions		→ Headline
44.	The undertaking shall disclose in metric tonnes of CO ₂ eq its ⁴⁵ :	→ General statement of the requirement(s)
(a)	gross Scope 1 GHG emissions;	
(b)	gross Scope 2 GHG emissions;	
(c)	gross Scope 3 GHG emissions; and	
(d)	total GHG emissions.	
45.	The objective of the Disclosure Requirement in paragraph 44 in respect of:	→ Objective of the requirement(s)
(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.	
(...)		
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 <i>operational control</i> over them.	→ Further specification of the information requested
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).	
(...)		
Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions		→ Headline
44.	The undertaking shall disclose in metric tonnes of CO ₂ eq its ⁴⁵ :	→ General statement of the requirement(s)
(a)	gross Scope 1 GHG emissions;	
(b)	gross Scope 2 GHG emissions;	
(c)	gross Scope 3 GHG emissions; and	
(d)	total GHG emissions.	
45.	The objective of the Disclosure Requirement in paragraph 44 in respect of:	→ Objective of the requirement(s)
(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.	
(...)		
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 <i>operational control</i> over them.	→ Further specification of the information requested
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).	
(...)		

Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions		→ Headline
44.	The undertaking shall disclose in metric tonnes of CO ₂ eq its ⁴⁵ :	→ General statement of the requirement(s)
(a)	gross Scope 1 GHG emissions;	
(b)	gross Scope 2 GHG emissions;	
(c)	gross Scope 3 GHG emissions; and	
(d)	total GHG emissions.	
45.	The objective of the Disclosure Requirement in paragraph 44 in respect of:	→ Objective of the requirement(s)
(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.	
(...)		
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 <i>operational control</i> over them.	→ Further specification of the information requested
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).	
(...)		
Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions		→ Headline
44.	The undertaking shall disclose in metric tonnes of CO ₂ eq its ⁴⁵ :	→ General statement of the requirement(s)
(a)	gross Scope 1 GHG emissions;	
(b)	gross Scope 2 GHG emissions;	
(c)	gross Scope 3 GHG emissions; and	
(d)	total GHG emissions.	
45.	The objective of the Disclosure Requirement in paragraph 44 in respect of:	→ Objective of the requirement(s)
(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.	
(...)		
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 <i>operational control</i> over them.	→ Further specification of the information requested
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).	
(...)		

Answer

The ‘bold paragraph’ that introduces each Disclosure Requirement is not simply a headline. It is a general 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 bold 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 a 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 (if applicable per the related Application Requirements), it is assumed that both the following are met:

- (c) requirements of the ‘bold paragraph’; and
- (d) objective as stated in the subsequent paragraph.

The ‘bold paragraph’ of ESRS E1 Disclosure Requirement E1-6 (i.e., ESRS E1 paragraph 44) covers Scope 1, 2 and 3 and total GHG emissions. The objective of the Disclosure Requirements also covers Scope 1, 2 and 3 and total GHG emissions. ESRS E1 paragraph 52 mentions the total GHG emissions. The total GHG emissions shall be reported as it is included in both the bold paragraph and the objective.

Question ID 157 - ESRS 2 Disclosure Requirement GOV, and specification in the topical ESRS

Release date

February 2024

Question asked

When a topical standard does not include Disclosure Requirements that are applicable jointly with ESRS 2 (ref. to Appendix C of ESRS 2), are ESRS 2 requirements applicable in relation to that topic?

ESRS reference

ESRS 1 paragraphs 9 and 29; ESRS 2 GOV 1 to 5; ESRS E1 paragraph 13

Key terms

ESRS 2 related disclosures in topical standards

Background

The original question received was reworded to the above question; the original question was: ‘**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 do not 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)?**’

In the architecture of the ESRS, the two cross-cutting standards ESRS 1 General Requirements and ESRS 2 General Disclosures are complemented by ten topical standards (E, S and G). ESRS 1 paragraph 9 states: ‘Topical ESRS can include specific requirements that complement the general level Disclosure Requirements of ESRS 2. ESRS 2 Appendix C *Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures* provides a list of the additional requirements in topical ESRS that the undertaking shall apply in conjunction with the general level disclosure requirements of ESRS 2.’

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 paragraph 13.

ESRS E1 paragraph 13: ‘The undertaking shall disclose whether and how climate-related considerations are factored into the remuneration of members of the **administrative**,

management and supervisory bodies, including if their performance has been assessed against the **GHG emission reduction targets** reported under Disclosure Requirement E1-4 and the percentage of the remuneration recognised in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are.'

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), including their datapoints, in the cross-cutting standard ESRS 2 General Disclosures are to be reported irrespective of the outcome of the materiality assessment (for example, GOV-1, GOV-2, GOV-3, GOV-4, and GOV-5), see ESRS 1 paragraph 29. 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).

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.

There are datapoints related to the ESRS 2 DRs in some of the topical standards. These are outlined in the table in ESRS 2 Appendix C, Disclosure and Application Requirements in topical ESRS that are applicable in conjunction with ESRS 2 General disclosures. They include GOV-1 in ESRS G1 'Business conduct', paragraph 5, and GOV-3 in ESRS E1 'Climate change', paragraph 13.

The topical specifications 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 Disclosure Requirements.

In terms of the scope of the materiality assessment:

- (e) ESRS 1 paragraph 29 specifies the Disclosure Requirements always to be included irrespective of the outcome of materiality. These include the ESRS 2 IRO-1 requirements (listed in Appendix C of ESRS 2) that are located in the topical standards, which are to be applied also if the respective topic is not material.
- (f) Other ESRS 2 specifications (listed in Appendix C of ESRS 2) and the other disclosure requirements located in topical standards are subject to materiality assessment. 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 'Business conduct' (topical standard) if the topic 'Business conduct' has been determined not to be material to the undertaking.
- (g) 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, ESRS 2 has to be applied as specified in ESRS 2 Disclosure Requirement. No additional datapoints to those in ESRS 2 or considerations at topical level apply in these cases. If ESRS 2 does not set topical specifications

for a given topic, ESRS SBM-3 requires nevertheless to disclose material impacts, risks and opportunities for that material topic.

Question ID 429 – Entity-specific and ESRS 2 Disclosure Requirements

Release date

July 2024

Question asked

When addressing the required entity-specific disclosure, which are the datapoints or the Disclosure Requirements to consider from ESRS 2?

ESRS reference

ESRS 1 paragraphs 11, 30, 60 and 70

Key terms

Entity-specific disclosures

Background

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.’

In particular, ESRS paragraph AR 2 states: ‘When developing entity-specific disclosures, the undertaking shall ensure that ... (b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see ESRS 2 chapters 2 to 5).’

ESRS 1 paragraph 30 states: ‘When the undertaking concludes that a sustainability matter is material as a result of its materiality assessment on which ESRS 2 IRO-1, IRO-2 and SBM-3 set disclosure requirements, it shall:

- (a) disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the corresponding topical and sector-specific ESRS; and
- (b) disclose additional entity-specific disclosures (see paragraph 11 and AR 1 to AR 5 of this Standard) when the material sustainability matter is not covered by an ESRS or is covered with insufficient granularity.’

ESRS 1 paragraph 12 states the following regarding ‘Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics’: ‘The Disclosure Requirements in ESRS 2 in topical ESRS and in sector-specific ESRS are structured into the following reporting areas:

- (a) Governance (GOV): the governance processes controls and procedures used to monitor, manage and oversee impacts, risks and opportunities (see ESRS 2 Chapter 2 *Governance*);
- (b) Strategy (SBM): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities (see ESRS 2 Chapter 3 *Strategy*);
- (c) Impact, risk and opportunity management (IRO): the process(es) by which the undertaking:
 - a. identifies impacts, risks and opportunities and assesses their materiality (see IRO-1 in Section 4.1 of ESRS 2);
 - b. manages material sustainability matters through policies and actions (see Section 4.2 of ESRS 2);
- (d) Metrics and targets (MT): the undertaking's performance including targets it has set and progress towards meeting them (see ESRS 2 Chapter 5 *Metrics and targets*).'

ESRS 2 paragraph 60 on minimum disclosure requirements on policies and actions states: 'This section sets out minimum disclosure requirements to be included when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities (collectively, to "manage material sustainability matters"). They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical and sector-specific ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures.'

ESRS 2 paragraph 70 on metrics and targets states: 'This chapter sets out Minimum Disclosure Requirements that shall be included when the undertaking discloses information on its metrics and targets related to each material sustainability matter. They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures.'

Answer

The datapoints or the Disclosure Requirements from ESRS 2 to consider, if applicable, when addressing a required entity-specific disclosure are: ESRS 2 Disclosure Requirement GOV-1 to GOV-5, SBM-1 to SBM-3, IRO-1 and the Minimum Disclosure Requirements on policies and actions on metrics and targets, respectively.

ESRS 1 paragraph AR 1 to 5 provides Application Requirements on entity-specific disclosures.

In situations where a sustainability matter is not covered by an ESRS, the entity-specific disclosures to consider from ESRS 2 could potentially relate to any reporting area of ESRS 2 (for the reporting areas of ESRS 2, see ESRS 1 paragraph 12), that is:

- (a) governance;
- (b) strategy;
- (c) impact, risk and opportunity management; and
- (d) metrics and targets.

This is insofar as information regarding the entity-specific sustainability matter and its impact, risk and opportunity is relevant (ESRS 1 paragraph 31) and it needs to be disclosed under the ESRS 2 Disclosure Requirements.

Therefore, if applicable, impacts, risks and opportunities of the entity-specific matter could be addressed by the following ESRS 2 Disclosure Requirements:

- (a) GOV-1: regarding roles and responsibilities and access to expertise and skills with regard to the entity-specific sustainability matter;
- (b) GOV-2: regarding information related to the entity-specific sustainability matter provided to and addressed by the undertaking's administrative, management and supervisory bodies;
- (c) GOV-3: regarding integration of the entity-specific sustainability matter in incentive schemes;
- (d) GOV-4: regarding entity-specific due diligence processes;
- (e) GOV-5: regarding risk management and internal controls over the sustainability process, including the entity-specific sustainability matter;
- (f) SBM-1: regarding its strategy relating to the entity-specific sustainability matter;
- (g) SBM-2: regarding interests and views of stakeholders with respect to the entity-specific sustainability matter;
- (h) SBM-3: regarding the description, the interaction with strategy and business model and other information required by paragraph 48 of ESRS 2 on the material impacts, risks and opportunities connected with the entity-specific matter (including ESRS 2 paragraph 48 (h)); and
- (i) IRO-1: regarding a description of the process to identify and assess the entity-specific material impacts, risk and opportunities.

In addition (following ESRS 1 paragraph AR 2):

- (a) policies, actions and targets shall be included where applicable, i.e. when the undertaking has them in place, to manage the relevant entity-specific matter/IRO; and
- (b) metrics shall be included where applicable. In assessing when this is applicable, the reference is ESRS 1 AR 1: the entity-specific disclosures shall enable users to understand the undertaking's material IROs. In general, to provide a relevant and fair representation of an impact, risk or opportunity, metrics are useful and should be included.

ESRS paragraph AR 3 supports the determination of when entity-specific metrics are useful, i.e.:

- (a) when they support the understanding of (1) how effective the practices are in reducing negative impacts and increasing positive impacts and (2) how likely the financial effects arising from risks and opportunities are;
- (b) when they result in a reliable outcome (see ESRS 1 paragraph AR 3 (b)); and
- (c) when they are accompanied by sufficient contextual information (see ESRS 1 paragraph AR 3 (c)).

ESRS 2 *Minimum Disclosure Requirements on policies and actions* (ESRS 2 paragraph 60) and metrics and targets (ESRS 2 paragraph 70) shall be applied in the preparation of this disclosure.

Question ID 442 – Entity-specific metrics

Release date

May 2024

Question asked

Do entity-specific metrics need to be developed for a topic that is covered in the standards but is only for a specific part of the value chain?

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 for the 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 datapoints 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 paragraphs AR 1 and AR 2 state: ‘AR 1. The entity-specific disclosures shall enable users to understand the undertaking’s impacts, risks and opportunities in relation to environmental, social or governance matters.

AR 2. When developing entity-specific disclosures, the undertaking shall ensure that:

- (a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and

- (b) its disclosures include where applicable all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see ESRS 2 chapters 2 to 5).'

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 the 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 may introduce additional metrics, including on the value chain.

ESRS 1 chapter 2 Qualitative characteristics of information

Question ID 337 – Metrics calculation – same level of precision

Release date

May 2024

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 submitter provided the following background for his question: ‘The following example refers to metrics in the context of water and marine resources. However, it should be noted that the question raised similarly applies to all sustainability matters and metrics and that the subtopic “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 being involved in production-related activities. The group determines that all topics and subtopics mentioned in 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 would account for a marginal portion of those metrics, which consequently the group considers not to be material. However, the group is aware of the requirement to calculate the metrics based on own operations, i.e., including the parent company and all the 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:

- (a) data from all subsidiaries need to be included (unless the Disclosure Requirement of the metric provides otherwise; see *IG 1 Materiality assessment: FAQ 22 – Is a multi-sector group required to include metrics for the entire group or only data related to the material IRO?*); and
- (b) the use of estimates is subject to conditions (see ESRS 1 paragraphs 87 and 89), including the need to consider the qualitative characteristics (ESRS 1 chapter 2).

In the example mentioned by the submitter, the undertaking will have to consider whether precisely measuring the portion of the metrics attributable to the production facility – and using

an estimate for the portion attributable to the sales corporation – will result in a degree of accuracy for the entire metric that is consistent with the characteristics of information quality.

See also [Implementation Guidance EFRAG IG 1 Materiality Assessment](#) – FAQ 18: *Does the undertaking use the same criteria when defining the level of disaggregation across all IROs?* which deals with related issues.

Question ID 863 – Metrics calculation – Annual average

Release date

July 2024

Question asked

When calculating metrics, including value chain metrics, do we have to consider downstream positions for all four quarters (as of 31.03, 30.06, 30.09, 31.12)?

ESRS reference

ESRS 1 chapter 2 and paragraph 89; all topical ESRS

Key terms

Metrics calculation; annual average

Background

[The original question asked, ‘[When calculating Indicators including Value Chain for the financial sector \(Capital markets, Insurance\), do we have to consider downstream positions for all four quarters \(as of 31.03, 30.06, 30.09, 31.12\)?](#)’ was referring to metrics calculation in the financial sector but, to be more general, the question was changed to the above.

As background to the question, the submitter provided the following: ‘Background is that SFDR requires calculating PAIs for all relevant positions as per quarter end and then build an average.’

ESRS 1 paragraph 19 states: ‘When preparing its sustainability statement, the undertaking shall apply:

- (a) the fundamental qualitative characteristics of information, i.e. relevance and faithful representation; and
- (b) the enhancing qualitative characteristics of information, i.e. comparability, verifiability and understandability.’

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

ESRS do not require to calculate annual averages based on quarterly figures as required in Article 6 of Commission Delegated Regulation (EU) 2023/363.

Some metrics require the calculation of annual averages (e.g. ESRS S1 Disclosure Requirement S1-6 – *Characteristics of the undertaking’s employees*). ESRS do not prescribe how to calculate annual averages as long as the calculation method results in information that meets the qualitative characteristics of information (ESRS 1 Chapter 2; see also ESRS 1 paragraph 89).

Supporting material

[Commission Delegated Regulation \(EU\) 2023/363](#) of 31 October 2022 states in Article 6: ‘Description of the principal adverse impacts of investment decisions on sustainability factors ... 3. Financial market participants shall include in the columns ‘Impact’ in the section ‘Description of the principal adverse impacts on sustainability factors’ in Table 1 of Annex I, figure on impact as the average of impacts on 31 March, 30 June, 30 September and 31 December of each period from 1 January to 31 December.’

ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures

Reference to Implementation Guidance 1 Materiality Assessment

[IG 1 Materiality Assessment](#)

Question ID 37 - Positive impact only

Release date

March 2024

Question asked

Can a sustainability matter be material from a positive impact perspective only?

ESRS reference

ESRS 1 chapter 3.4; ESRS 1 paragraph 43 and 46

Key terms

Materiality, positive impact only material

Background

The question received by the submitter: ‘Can an impact be material if it is material from a positive impact perspective only?’ was reworded to the above question to be clearer.

Background as provided by the submitter:

‘It is essential that when I have evaluated and qualitatively assessed the actual/potential negative and positive effects on human beings and the environment, I have concluded that the topic is irrelevant in terms of actual negative impacts and also irrelevant in terms of actual positive impacts. However, it is critical from the perspective of potential positive impacts. Is my topic then considered significant?’

ESRS 1 paragraph 43 states: ‘A sustainability matter is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term.’

ESRS 1 paragraph 46 states the criteria on which positive impacts materiality are based: ‘For positive impacts, **materiality** is based on:

- (a) the scale and scope of the impact for actual impacts; and
- (b) the scale, scope and likelihood of the impact for potential impacts.’

Answer

Yes, a sustainability matter can be material from a positive impact perspective only.

Based on the definition in ESRS 1 paragraph 43, a sustainability matter is material when it pertains:

- (h) to material actual or potential impacts or
- (i) to material positive or negative impacts.

Positive impacts can be either actual or potential.

ESRS 1 chapter 3.4 defines the criteria used to assess materiality. For actual positive impacts, the criteria are scale and scope. In addition, for potential positive impacts likelihood is considered.

ESRS 1 paragraph 45 describes the relationship between negative impacts and the due diligence process defined in international instruments (i.e., the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises). In particular, due diligence focuses on negative or adverse impacts on people and the environment, but this does not mean that impact materiality is limited to negative impacts under ESRS reporting.

Question ID 162 - Minimum number of material matters

Release date

February 2024

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 terms

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.’

IG 1 *Materiality assessment* paragraph 1 states: ‘The ESRS sustainability statement shall include relevant and faithful information about all impacts, risks and opportunities (also referred to as IROs) across environmental, social and governance matters determined to be material from the impact materiality perspective, the financial materiality perspective or both. The materiality assessment is the process by which the undertaking determines material information on sustainability IROs. This is achieved by the determination of material matters and material information to be reported. The performance of a materiality assessment based on objective criteria is pivotal to sustainability reporting. The undertaking will use judgement when applying the criteria, and the related explanations are expected to provide 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

There is no minimum (or maximum) number of material sustainability matters required by ESRS, as materiality is based on the undertaking’s specific facts and circumstances.

Materiality is a principles-based concept. IG 1 *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.

Question ID 172 – Materiality assessment – private equity structures

Release date

May 2024

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 (LPs). 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 maximising 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 who are not really concerned about the daily maintenance of the fund, whereas GPs are investment professionals who are vested with the responsibility of making decisions with respect to the investments.

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

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 their 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, then impacts, risks and opportunities of the portfolio company/ies are not part of the own operations of the general partner nor of the limited partner/s for the purposes of the sustainability statement (See also [Implementation Guidance EFRAG IG 2 Value Chain chapter 2.3 From own operations to value chain](#)).

The general partner typically provides management services to the portfolio company/ies through the private equity fund. Therefore, in the absence also of financial control, the portfolio company/ies are considered business relationships in the general partner’s value chain. Accordingly, the general partner shall identify and assess material impacts, risks and opportunities connected to the portfolio company in its downstream value chain.

The limited partner typically provides funds for its investments in portfolio companies. Please refer to [Implementation Guidance EFRAG IG 2 Value Chain](#): FAQ 2: *Are financial assets (loans, equity, and debt instruments) considered business relationships that trigger value chain information?*

To note: More detailed guidance is expected in future sector standards. ID 285 *Asset managers, investment entities, scope of sustainability statement* deals with a question about the scope of the sustainability statement assuming that the portfolio company is controlled by the asset manager / the holding company.

Question ID 185 – Objective evidence and stakeholders' opinion

Release date

May 2024

Question asked

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

ESRS reference

IG 1 *Materiality assessment* chapter 3.5 *Role and approach to stakeholders in the materiality assessment process*; FAQ 10 *Should the assessment of IROs 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; objective evidence

Background

To better address the issue mentioned by the submitter, it was agreed to change the question that was received from '[When evaluating sustainability matters, is the focus on stakeholder opinions or on objective evidence?](#)' to the question above.

ESRS 1 paragraph 24 states: 'Engagement with affected stakeholders is central to the undertaking's ongoing due diligence process ... and sustainability materiality assessment.'

IG 1 *Materiality assessment* - FAQ 10 *Should the assessment of IROs rely on quantitative information?* (paragraphs 180 to 183) states:

- '180. Where possible, yes, as quantitative measures of IROs are objective evidence of their materiality. The emphasis on objective and quantitative information does not mean to imply that the information from affected stakeholders should be disregarded.
- 181. The level of comfort sought by the undertaking from quantitative information depends on whether there is 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 in additional research or data collection costs.

182. 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.
183. 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.’

IG 1 Materiality assessment FAQ 15 Do the ESRS mandate to actively engage in dialogue with affected stakeholders for the materiality assessment process? states: ‘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.’

IG 1 Materiality assessment FAQ 16 Can the undertaking prioritise some categories of stakeholders for the materiality assessment process? How? states: ‘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 for the assessment.’

Answer

When assessing the materiality of a sustainability matter, there is no conflict between consideration of views of affected stakeholders and objective evidence. The purpose of both is to get an understanding of the severity (and likelihood) of impacts to present them faithfully in the sustainability statement. Depending on the circumstances, this may or may not require engagement with affected stakeholders.

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. Quantitative/scientific data on the impact may or may not also be available. Widespread/systemic impacts often tend to be well documented, and there is often a consensus on their severity.

In other cases, depending on the topic the views of affected stakeholders are a source of supporting evidence for impact materiality. However, not all stakeholder opinions are equally relevant for the materiality analysis. Relevance depends on how much the stakeholders are affected (severity – and likelihood – of impacts). Understanding entity-specific impacts and/or the manifestation of widespread/systemic impacts in particular contexts and situations requires more careful consideration of specific circumstances, including whether and how people or the environment are affected.

Elements useful to address this question can be found in *IG 1 Materiality assessment chapters 3.5 Role and approach to stakeholders in the materiality assessment process* and *5.4 FAQ on stakeholder engagement – impact materiality*.

Question ID 438 – Treatment of non-material datapoints, e.g. radioactive waste – can it be a non-material datapoint?

Release date

November 2024

Question asked

Is it necessary to report radioactive waste from analytical devices and tracer applications?

ESRS Reference

ESRS E5 paragraph 39; ESRS 1 paragraph 34, ESRS 2 paragraph 56

Key terms

Waste; radioactive waste; datapoint, non-material

Background

The submitter provided the following background: ‘Reporting all radioactive waste according to 2022/70/Euratom would include radioactive tracers and analytical devices and sensors. Reporting of these wastes should be excluded because they are present in very small amounts and already locally reported under applicable legislation. Outside the EU, the definition of radioactive waste may also be different from 2022/70/Euratom.’

ESRS E5 paragraph 39 states: ‘The undertaking shall also disclose the total amount of hazardous waste and radioactive waste generated by the undertaking, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom as follows: “radioactive waste” means radioactive material in gaseous, liquid or solid form for which no further use is foreseen or considered by the Member State or by a legal or natural person whose decision is accepted by the Member State, and which is regulated as radioactive waste by a competent regulatory authority under the legislative and regulatory framework of the Member State’.

ESRS 1 paragraph 34 states: ‘When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (a) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.’

ESRS 2 paragraph 56 states: ‘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

It depends on materiality whether it is necessary to report radioactive waste.

The Disclosure Requirement of ESRS E5-5 – Resource outflow with the datapoints' total amount of hazardous waste and radioactive waste (paragraph 39) is – as all the topical Disclosure Requirements – subject to double materiality and to the materiality of information as stipulated in ESRS 1 Chapter 3 – Double materiality as the basis for sustainability disclosures:

- (a) Is the 'waste' subtopic material? – The undertaking shall only disclose the datapoints of the waste subtopic of ESRS E5 if considered material under double materiality (see ESRS 1 Chapter 3.3 Double materiality); and if so,
- (b) does the datapoint provide material information? – The metrics required to be disclosed by ESRS E5-5 Waste, including 'the total amount of hazardous waste and radioactive waste generated by the undertaking', shall only be disclosed if such information is assessed to be material and may be omitted if not (ESRS 1 paragraph 34).

Accordingly, it depends on materiality whether radioactive waste from analytical devices and tracer applications shall be reported. See also ESRS 1 paragraphs 36 and 42 on establishing appropriate thresholds when disclosing metrics.

It is noted that the datapoints of ESRS E5 paragraph 39 derive from other EU legislation as listed in Appendix B of ESRS 2 and that ESRS 2 paragraph 56 applies. This means that, if applicable (i.e. the amount of radioactive waste is not material for reporting purposes), the undertaking shall flag that the amount of radioactive waste that is not material in accordance with ESRS 1 paragraph 35.

See also [Question ID 952 –Metrics – rounding and decimals; materiality of information.](#)

Question ID 461 - Sustainability statement – ESRS 1 flowchart E and disclosure of transition plans

Release date

May 2024

Question asked

Why in the Flowchart in Appendix E of ESRS 1 are transition plans mentioned together with policies, actions and targets?

ESRS reference

ESRS 2 paragraphs 62 and 72; and Appendix E: *Flowchart for determining disclosures under ESRS; ESRS E1 Disclosure Requirement E1-1: Disclosure Requirements related to climate change transition plan*

(Note: the disclosure of the transition plan related to biodiversity is voluntary (ESRS E4 Disclosure Requirement E4-1); as such it is not in the scope of this explanation).

Key terms

Disclosure of transition plans, minimum disclosure requirements, ESRS 1 Appendix E

Background

The question received: ‘[What is the logic according to Flowchart E of ESRS 1 for determining Disclosure Requirements for transition plans and processes?](#)’ has been reworded to the above to be clearer.

ESRS 1 Appendix E – *Flowchart for determining disclosures under ESRS* presents the reasoning to determine disclosures when a topic covered by a topical standard is material. In such case, the related policies, actions and targets shall be disclosed, or it shall be stated that the undertaking does not have policies, actions and/or targets related to the material sustainability matter. The undertaking may report a timeframe in which it aims to have these in place (ESRS 1 paragraph 33).

ESRS 1 Appendix E – *Flowchart for determining disclosures under ESRS* states: ‘... Disclosure Requirements in relation to action plans, targets, policies, scenario analysis and transition plans are proportionate because they are contingent on the undertaking having these, ...’

ESRS 1 Appendix E – *Flowchart for determining disclosures under ESRS* does not include information on the Disclosure Requirements related to transitions plans (E1-1 and E4-1). It does not include, either, information on the Disclosure Requirements related to the processes in the ESRS S1 to S4: Processes for engaging with stakeholders about impacts (S1-2, S2-2, S3-2 and S4-2) and processes to remediate negative impacts and channels for stakeholders to raise concerns (S1-3, S2-3, S3-3 and S4-3).

ESRS E1-1 paragraph 17 states: ‘In case the undertaking does not have a transition plan in place, it shall indicate whether and, if so, when it will adopt a transition plan.’

The Annex II Acronyms and Glossary of Terms defines ‘Actions’ as: ‘Actions refer to (i) actions and action plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.’

The Annex II Acronyms and Glossary of Terms defines ‘Transition plan’ as: ‘A specific type of action plan that is adopted by the undertaking in relation to a strategic decision and that addresses:

- (a) a public policy objective; and/or
- (b) an entity-specific action plan organised as a structured set of targets and actions, associated with a key strategic decision, a major change in business model, and/or particularly important actions and allocated resources.’

Answer

The flowchart in Appendix E of ESRS 1 provides an illustration of the provisions in ESRS on materiality.

The Flowchart refers to actions (as well as policies and targets) which by definition also comprises transition plans.

Transition plans are an area of disclosure that have characteristics in common with policies, targets, and actions. Climate transition plans for example are effectively action plans to achieve the targets for carbon emissions.

Question ID 526 and ID 1021 – Disclosure of a non-material datapoint (water-consumption in own operations) related to a (a) material and (b) non-material topic

Release date

November 2024

Question asked

- (1) If water consumption is only deemed material for the value chain (and not material to own operations), is the undertaking still allowed to include this datapoint in its sustainability statement?
- (2) If water consumption is not material for the undertaking (neither in relation to IROs that arise in own operations nor for those that arise in upstream and downstream value chain) but third parties ask the undertaking to include this datapoint in its sustainability statement, is this allowed?

ESRS Reference

ESRS E3 Disclosure Requirement E3-4 (paragraph 28); ESRS 1 paragraphs 11, 31, 33, 34, 114 and QC 17

Key terms

Water consumption; non-material; non-material datapoint

Background

EFRAG received two questions that were combined because they are on a similar issue. ID 526 ‘If water consumption is only deemed material for upstream value chain (and not material to own operations), is the undertaking still allowed to include this datapoint in their report?’ and ID 1021 ‘For a non-material topic, is it allowed to publish metrics that some clients / scoring agencies ask us to include in our sustainability reporting?’

ESRS E3 paragraph 28 states: ‘The disclosure required by paragraph 26 relates to own operations and shall include: (a) total water consumption in m³’.

ESRS 1 paragraph 31: states: ‘The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an 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.'

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 33 states for **policies, actions and targets**: '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 and in the corresponding Minimum Disclosure Requirement on policies, actions, and targets required under ESRS 2. If the undertaking cannot disclose the information prescribed by either the Disclosure Requirements and datapoints in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective actions or set the respective targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.'

ESRS 1 paragraph 34 states regarding **metrics**: 'When disclosing information on metrics for a **material sustainability matter** according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) **may omit** the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.'

ESRS 1 paragraph 114 states: 'When the undertaking includes in its sustainability statement additional disclosures stemming from (i) other legislation which requires the undertaking to disclose sustainability information, or (ii) generally accepted sustainability reporting standards and frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative), such disclosures shall:

- (a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see ESRS 2 BP-2, paragraph 15);
- (b) meet the requirements for qualitative characteristics of information specified in Chapter 2 and Appendix B of this Standard.'

ESRS 1 paragraph QC 17 states regarding the qualitative characteristic of 'understandability': 'Concise disclosures shall only include material information. Complementary information

presented pursuant to paragraph 114 shall be provided in a way that avoids obscuring material information.'

Answer

- (1) If water consumption is only deemed material for the value chain (and not material to own operations), is the undertaking still allowed to include this datapoint in its sustainability statement?**

If water consumption is only deemed material in relation to impacts, risks or opportunities that arise in the upstream or downstream value chain and not in own operations, the most relevant metric to be included is the water consumption for the value chain only. This is not a metric explicitly included in the sector-agnostic ESRS (ESRS E3 paragraph 24 (a) being focused on own operations). However, even if no datapoint in ESRS E3 is identified as material, the undertaking shall consider whether this or another metric that depicts this matter shall be disclosed as entity-specific disclosure following ESRS 1 paragraph 11. See also [Question ID 442 – Entity-specific metrics](#).

As stated in ESRS 1 paragraph 34 (b) in respect of metrics for a material sustainability matter, an undertaking 'may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not relevant based on the ESRS 1 paragraph 31 criteria and concludes that such information is not needed to meet the objective of the Disclosure Requirement.'

The undertaking assesses the datapoint of ESRS E3 paragraph 24 (a) to be not material information. Accordingly, based on ESRS 1 paragraph 34 (b) the undertaking may omit this datapoint even though the sustainability matter of water consumption is material (because it relates to material impacts, risks or opportunities in the value chain).

As ESRS 1 paragraph 34 (b) states that 'the undertaking may omit', this implies that the undertaking does not have to omit the datapoint. Put differently, 'may omit' does not mean 'shall omit'. Therefore, it can be included in the sustainability statement.

In addition, the undertaking shall consider requirements of ESRS 1 in Chapter 2 Qualitative characteristics of information whereby material information is not obscured by immaterial information.

- (2) If water consumption is not material for the undertaking (neither in relation to IROs that arise in own operations nor for those that arise in upstream and downstream value chain) but third parties ask the undertaking to include this datapoint in its sustainability statement, is this allowed?**

It depends. Following the provisions in ESRS 1 paragraph 114, in addition to the disclosure of material matters identified during the materiality assessment process, the undertaking may provide additional information stemming from other legislation as well as from generally accepted sustainability reporting standards and frameworks (for example, SASB Standards or GRI Standards). Other voluntary additional disclosures require the application of professional judgement, are expected to be limited (i.e. disclosure is based on robust reasoning) and shall fulfil the criteria laid out in ESRS 1 Appendix B Qualitative characteristics of information. This requires that: 'Complementary information ... be provided in a way that avoids obscuring material information.'

Such information may fall under the remit of ESRS 2 BP-2 paragraph 15 whereby this information ‘shall: (a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see ESRS 2 BP-2, paragraph 15) ...’.

Question ID 753– Financial materiality in the value chain and power purchase agreements

Release date

November 2024

Question asked

- (1) Shall a matter included in the financial statements of the undertaking that is outside of its value chain be reported in the undertaking’s financial materiality assessment?
- (2) There is uncertainty as to whether a PPA (Power Purchase Agreement) would enter the scope of the value chain of the undertaking, and more specifically, (i) in the case of a VPPA and (ii) in the case of a DPPA.

ESRS Reference

ESRS 1 Chapter 3.5 *Financial materiality*, paragraphs 49 and 63

Key terms

Value chain; financial materiality; power purchase agreements

Background

As part of the question, the submitter also stated: ‘While Section 3.5 *Financial materiality* does not mention that the matter shall be part of the undertaking’s value chain, the related notions of risks and opportunities are used in the rest of the document as “in the undertaking’s value chain”.’

ESRS 1 paragraph 49 states: ‘A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence or could reasonably be expected to have a material influence, on the undertaking’s development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships beyond the scope of consolidation used in the preparation of financial statements.’

ESRS 1 paragraph 63 states: ‘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”).’

A power purchase agreement (PPA), or electricity power agreement, is a long-term contract between an electricity generator and a customer, usually a utility, government or company. The PPA defines the conditions of the agreement such as the amount of electricity to be supplied, negotiated prices, accounting and penalties for non-compliance. Since it is a bilateral agreement, a PPA can take many forms and is usually tailored to specific applications. The power generated might be renewable. Under a PPA, the customer is strictly speaking paying a provider for the energy received. Therefore, in the case of renewable energy the undertaking will not necessarily get the ancillary benefits of owning the renewable energy asset, such as the ability to get tax rebates or sell renewable energy credits.

PPAs might be in the form of a physical-PPA (where the customer receives a fixed amount of energy at a fixed price) or a virtual-PPA (where the customer receives/pays cash for a fixed amount of energy based on the difference between a fixed and a variable price per unit).

Often those contracts result in parties involved receiving renewable energy certificates ('RECs').

Answer

(1) Shall a matter included in the financial statements of the undertaking that is outside of its value chain be reported in the undertaking's financial materiality assessment?

A transaction or contract included in the financial statements and the sustainability matter related to it cannot be considered outside the value chain. Therefore, a PPA, be it physical or virtual, is considered as being in own operations (noting that value chain comprises upstream and downstream value chain as well as own operations; see Annex II Acronyms and Glossary of Terms).

Financial materiality in the sustainability statement includes items that arise from the undertaking's own operations and items that arise in its value chain.

A matter is material for inclusion in the sustainability statement from a financial materiality perspective when it generates risks or opportunities that have a material influence or could reasonably be expected to have a material influence on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term (see ESRS 1 paragraph 49).

(2) There is uncertainty as to whether a PPA (Power Purchase Agreement) would enter the scope of the value chain of the undertaking, and more specifically, 1) in the case of a VPPA and (2) in the case of a DPPA.

A counterparty to the power purchase agreement is connected with the undertaking's activities (see ESRS 1 paragraph 63).

A physical-PPA results in the delivery of energy, and as it relates to indirect emissions from the perspective of the purchaser of energy, falling under Scope 2 emissions under the GHG Protocol.

A virtual-PPA is a financial instrument resulting in the exchange of cash often combined with certificates received by the reporting undertaking to affect the energy mix of the undertaking. As this is part of the undertaking's activities (to manage its energy costs or to obtain Guarantees of Origin (or Energy Attribute Certificates (EAC))), this is part of its own operations and not its value chain. The purchased Guarantees of Origin may ultimately affect the categorisation of Scope 2 disclosures under ESRS E1, whether surrendered or not. Please note that aforementioned does relate only to the virtual PPA relationship and not to the one between the undertaking and the

party delivering physical energy, which often exists in the three-party relationship involving virtual-PPAs.

As the substance of the contracts differ between physical and virtual PPAs, the undertaking's material impacts on people and environment and the material effects of sustainability matters on the undertaking's development, performance and condition might also differ.

See also [Implementation Guidance EFRAG IG 2 Value Chain](#) FAQ 2: *Are financial assets (loans, equity and debt investments) considered business relationships that trigger VC information?* states: 'Business relationships and value chain as defined in Annex II Acronyms and Glossary of Terms do not exclude any types of activities and business relationships.'

Question ID 821 – Risk and opportunity for financial materiality

Release date

July 2024

Question asked

Regarding financial materiality, there are matters that trigger exposure to risks or opportunities only and others that trigger the exposure to both. In the case of a matter that triggers exposure to both risks and opportunities, should the assessment of materiality be made on each individually or is it on the combined financial risk and opportunity?

In addition to the question asked, the submitter provided the following background to the question: 'For example, if we take energy as a topic, energy consumption is a financial risk because the cost of energy can fluctuate significantly. But there is also an opportunity in terms of reduced energy costs if the company invests in renewable energy and energy-efficient appliances. In this case, should the financial risk be assessed separately from the financial opportunity? Or should there be some assessment of what would weigh stronger in the balance, risk or opportunity and assess accordingly?

ESRS reference

ESRS 1 chapter 3.5 *Financial materiality* paragraphs 49 to 51 and AR 14 to 15

Key terms

Financial materiality; sustainability matters generating sustainability risks or opportunities

Background

ESRS 1 paragraphs 49 to 51 state:

- '49. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence or that could reasonably be expected to have a material influence on the undertaking's development, financial position, financial performance, cash flows, access to

finance or cost of capital over the short-, medium- or long-term. Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships beyond the scope of consolidation used in the preparation of financial statements.

50. Dependencies on natural, human and social resources can be sources of financial risks or opportunities. Dependencies may trigger effects in two possible ways:
 - (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes as well as the quality and pricing of those resources; and
 - (b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms.
51. The materiality of risks and opportunities is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.'

Regarding sustainability-related risks or opportunities, ESRS 1 paragraph AR 14 states: 'The identification of risks and opportunities that affect or could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for financial materiality assessment. In this context, the undertaking shall consider: ...

- (b) their classification as sources of:
 - i. risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements); or
 - ii. opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).'
- ESRS 1 paragraph AR 15 states: 'Once the undertaking has identified its risks and opportunities, it shall determine which of them are material for reporting. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential magnitude of financial effects determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks and opportunities to financial effects in the short-, medium- and long-term based on:

- (a) scenarios /forecasts that are deemed likely to materialise; and
- (b) potential financial effects related to sustainability matters deriving either from situations with a below the "more likely than not" threshold or assets/liabilities not, or not yet, reflected in financial statements. This includes:
 - i. potential situations that following the occurrence of future events may affect cash flow generation potential;
 - ii. capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and

- iii. possible future events that may have an influence on the evolution of such capitals.'

Answer

When the nature of an opportunity or a risk relating to a sustainability matter is different, it shall be assessed separately.

In the example provided, the submitter states that energy consumption is a source of (financial) risk because the cost of energy can fluctuate significantly (upside and downside price risk). However, he has also identified an investment opportunity in terms of reduced energy costs in the case that the company invests in renewable energy and energy-efficient appliances.

In financial terms, an undertaking that is more exposed to a risk (higher prices for supplies, lower prices for sold products) than expected is also exposed to positive deviations when prices for supplies /sold products will be below /above expectations. The positive deviations are not necessarily identified as separate opportunities but assessed together with the risk. In the example above, it is the action of investing in renewable energy that creates the opportunity to reduce energy expenses.

Supporting material

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information also stresses regarding (financial) materiality in paragraph B15 the importance of expectations in the materiality assessment: 'The decisions described in paragraph B14 [i.e. decisions of primary users related to providing resources to the entity] depend on primary users' expectations about returns, for example, dividends, principal and interest payments or market price increases. Those expectations depend on primary users' assessment of the amount, timing and uncertainty of future net cash inflows to the entity and on their assessment of the stewardship of the entity's economic resources by the entity's management and its governing body/bodies or individual(s).'

Question ID 952 – Metrics – rounding and decimals; materiality of information

Release date

November 2024

Question asked

To how many decimals should a percentage be rounded? And for other datapoints that ask for a 'decimal', how many decimals are expected?

ESRS Reference

All numerical datapoints required by ESRS

Key terms

Decimals, rounding; metrics, rounding; materiality of information

Background

ESRS 1 paragraph 34 states: ‘When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.’

Answer

ESRS does not have specific rules for rounding or prescribing the number of decimals to be used for percentages.

ESRS 1 paragraph 34 clarifies how that materiality of information applies to metrics. Accordingly, the materiality of information also applies to rounding and decimals to be used for a percentage metric. The undertaking may omit decimals and use rounding if it considers the information not conveyed through omitting decimals and using rounding to be not material.

Materiality of information needs to be decided on a case-by-case basis depending on fact patterns such as the size of the company, the metric to be disclosed and the materiality of the topic.

Question ID 1019 – Sustainability matter expected to become material in the future

Release date

November 2024

Question asked

- (1) Consider an undertaking that has a business plan approved for a three-year duration. The undertaking expects a given impact or risk to arise in four to five years and be material then. Shall the matter be considered material for the reporting period?
- (2) Consider a matter that is not assessed to be material over the short-, medium- or long-term horizon as of the reporting date, but – if assessed in four to five years – it might become material in the future. Should the undertaking consider this topic as not-material or as material?

ESRS Reference

ESRS 1 paragraphs 43 and 49

Key terms

Sustainability matter only material in the future

Background

The question received by the submitter: ‘Our judgment is that one topic is not material for our enterprise, but that it will most probably become material within four to five years. Should we state the topic as non-material or as material (the business plan approved by the shareholders and sent to banks is for a three-year duration)?’ was split into two questions and rephrased to the above question to better separate the issues asked. The submitter gave the following background information to the question: ‘Water consumption will most probably become a material topic in Southern Europe for many preparers within five to ten years ...’.

ESRS 1 paragraph 43 states: ‘A sustainability matter is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term.’

ESRS 1 paragraph 49 states: ‘A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence, or could reasonably be expected to have a material influence, on the undertaking’s development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term.’

Answer

- (1) Consider an undertaking that has a business plan approved by for a three-year duration. The undertaking expects a given impact or risk to arise in four to five years and be material then. Shall the matter be considered material for the reporting period?**

Yes, the materiality assessment is not limited to a business plan time-horizon.

The submitter clarifies that the topic in question relates to water consumption that will most probably become a material topic in Southern Europe for many preparers within five to ten years, which is a time horizon longer than the one used in the approved business plan.

The key question for the assessment of materiality from a financial point of view is whether water consumption generates for the undertaking risks or opportunities that have a material influence or that could reasonably be expected to have a material influence on the undertaking’s development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term (ESRS 1 paragraph 49). This is not limited to material influence within the time horizon of the last approved business plan of the undertaking.

See also [Question ID 1039 – Time horizon – only long-term material.](#)

- (2) Consider a matter that is not assessed to be material over the short-, medium- or long-term horizon as of the reporting date, but – if assessed in four to five years – it might become material in the future. Should the undertaking consider this topic as not-material or as material?**

The matter is not material as of the reporting date.

As stated in Implementation Guidance 1 – *Materiality assessment FAQ 7 How frequently should an undertaking update its sustainability materiality*, ‘the materiality assessment is a dynamic process subject to the inherent evolution of the undertaking and needs to be considered for an update on an ongoing basis.’ Acknowledging such a dynamic process, it is possible that a matter assessed today be considered material neither from an impact nor from a financial perspective, but this assessment may change sometime in the future. This may happen if assumptions that have been used in the impact and financial materiality assessment today do not materialise as expected.

Question ID 1039 – Time horizon – only long-term material

Release date

November 2024

Question asked

We are trying to understand how changing the materiality of a sustainability matter over the three timeframes influences Disclosure Requirements e.g., whether the matter of water is deemed not material for the short- and medium-term impact materiality but material in the long-term. Does that mean the matter is deemed material and disclosure is required even though it only becomes material in the long-term?

ESRS Reference

ESRS 1 paragraphs 43 and 49

Key terms

Time horizon

Background

ESRS 1 paragraph 43 states: ‘A sustainability matter is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term. ...’.

ESRS 1 paragraph 49 states: ‘A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence or could reasonably be expected to have a material influence, on the undertaking’s development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. ...’.

Answer

Yes. ESRS 1 paragraph 43 states for impact materiality, and paragraph 49 for financial materiality, that: ‘A sustainability matter is material ... when it pertains to / if it triggers ... over the short-, medium- or long-term.’ The time horizons are connected with an ‘or’, meaning that the impact / financial materiality must not occur during all three-time horizons. It is sufficient that materiality occurs during any of the time horizons.

If a matter is assessed as material in the long-term, the matter is considered material, and the related Disclosure Requirements are applicable. Attention should be paid to the possible omission of metrics when following paragraph 43 of ESRS 1.

See also [Question ID 1019 – Sustainability matter expected to become material in the future.](#)

Question ID 1048 – Disclosure of datapoint(s) related to a non-material Disclosure Requirement for a metric

Release date

November 2024

Question asked

For a material matter, if the undertaking assesses that a Disclosure Requirement is not material, is it possible to conclude that a datapoint of such Disclosure Requirement is material and therefore included?

ESRS Reference

ESRS 1 paragraphs 16, 31 and 34

Key terms

Metrics; non-material Disclosure Requirement; datapoints

Background

The question received was ‘When doing the translation from the double materiality assessment’s outcomes to Disclosure Requirements and datapoints (regarding a metric), is it possible that datapoints are in scope when the related Disclosure Requirement is out of scope (non-material Disclosure Requirement)?’ and was reworded for clarity.

The following background to the question was provided by the submitter: ‘After the double materiality assessment, we translate the outcomes to which disclosure requirements are applicable. Thereafter, we assess which datapoints are applicable. The question arises whether specific datapoints within a disclosure requirement that is assessed to be out of scope could be in

scope. So, for example, ESRS S1-14 is out of scope, but one of the datapoints is in scope / the company wants to report on it. Is that possible?’

ESRS 1 paragraph 16 states: ‘ESRS structure the information to be disclosed under Disclosure Requirements. Each Disclosure Requirement consists of one or more distinct datapoints. The term “datapoint” can also refer to a narrative sub-element of a Disclosure Requirement.’

ESRS 1 paragraph 31 states: ‘The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an 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.’

ESRS 1 paragraph 34 states: ‘When disclosing information on **metrics** for a **material sustainability matter** according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.’

Answer

No, it is not possible for a datapoint(s) to be material and for the related Disclosure Requirement not to be material when disclosing information on metrics.

ESRS structure the information to be disclosed under Disclosure Requirements, and each Disclosure Requirement consists of one or more distinct datapoints (ESRS 1 paragraph 16). One datapoint (or more) related to a Disclosure Requirement in a topical standard assessed as material makes that Disclosure Requirement material. Conversely, if all datapoints of a topical Disclosure Requirement are assessed as not material, the related topical Disclosure Requirement is not material.

However, it may be possible to conclude that an individual datapoint (or datapoints) are not material while the corresponding Disclosure Requirement is material. Therefore, it is possible for the entity to conclude that not all datapoints need to be provided to fulfill the information requirements for a specific Disclosure Requirement.

See also [Question ID 526 and ID 1021 – Disclosure of a non-material datapoint \(water-consumption in own operations\) related to a \(a\) material and \(b\) non-material topic](#); and ID 177 – [Mapping sustainability matters \(ESRS 1 paragraph AR 16\) with Disclosure Requirements](#).

Question ID 1297 – Level of disaggregation

Release date

November 2024

Question asked

What is the level of disaggregation in the sustainability statement of a group with multiple legal entities per country in the EU and outside EU?

ESRS Reference

ESRS 1 Chapter 3.7 *Level of disaggregation*, paragraphs 54, 55 and 102

Key terms

Level of disaggregation

Background

The following background was provided with the question asked: ‘The ESRS Chapter 3.7 explains the case where an undertaking shall or shall not disaggregate the reported information (focusing here on the datapoints). It explains the possibility of disaggregating by country or by site when there are significant variations/impacts’. The following questions that were received relate to the granularity/breakdown of the data to be reported by a Group headquartered in the EU with several legal entities per country in the EU and outside the EU and possibly a legal entity in one country which owns some sub-entities in the country or abroad:

- (a) Is it mandatory for the group to report datapoints per legal entity, or is it only in the case of variation / impact materially that a specific entity detail shall be reported?
- (b) If the group reports only aggregated data at the group level, does it mean that a specific legal entity (in the EU) will be able to share ‘only’ group datapoints and not the specific information related to its legal entity?

ESRS 1 paragraphs 54 and 55 state:

‘54. When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information:

- (a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or
- (b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.

55. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the undertaking's specific facts and circumstances, a disaggregation by subsidiary may be necessary.'

ESRS 1 paragraph 102 states: 'When the undertaking is reporting at 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. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities. Criteria and thresholds for assessing an impact, risk or opportunity as material shall be determined based on Chapter 3 of this Standard.'

Answer

Determining the appropriate level of disaggregation involves judgement. The key driver is to provide fair presentation in relation to the specific disclosure objective of a Disclosure Requirement or datapoint.

Disaggregation depends on (a) variations of material impacts, risks and opportunities across countries (e.g. across different sectors or business models) and (b) impacts, risks and opportunities being highly dependent on a specific location (e.g. country) or asset as stipulated in ESRS 1 paragraph 54.

ESRS 1 paragraph 56 further clarifies that, where data is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information, nor should the undertaking aggregate material items that differ in nature.

Materiality as the basis for sustainability disclosures, including the level of disaggregation (see ESRS 1 Chapter 3.7 *Level of disaggregation*), is agnostic to the group's legal structure.

In conclusion, the undertaking is expected to report at a **legal entity level** if for specific matters or material IROs this corresponds to the criteria in ESRS 1 paragraph 54 and 56 (e.g. one legal entity per country and 'significant variations of material impacts, risks and opportunities across countries' as well as higher-level aggregation would obscure information).

When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information **by significant site or by significant asset** when material impacts, risks and opportunities are highly dependent on a specific location or asset in accordance with ESRS 1 paragraph 54(b).

Conversely, the undertaking is expected to report information aggregated at **group level (or for a cluster of legal entities)** if it assesses that a more granular level of disaggregation is not necessary. In this case, the legal entities/subsidiaries are treated the same irrespective of their location (within the EU or in non-EU territories) when they are included as part of the aggregated data, with their share contributing to the respective datapoint (e.g. with their share of Scope 2 GHG emissions, consumed energy – whether purchased or acquired externally, i.e. from third parties/non-group entities in accordance with ESRS E1 Disclosure Requirement E1-6) or their share of the group's employee characteristics as required by ESRS S1 Disclosure Requirement S1-6 – *Characteristics of the undertaking's employees*.

ESRS 1 chapter 5 Value chain

Reference to Implementation Guidance EFRAG IG 2 Value Chain

Implementation Guidance 2: Value Chain

Question ID 41 - Financial institutions – scope of reporting boundary

Release date

May 2024

Question asked

What is the scope of own operations for an insurance company under ESRS? Is it the same as under Solvency II, i.e. do the ESRS standards relate only to insurers' non-life insurance activities (fire, health, damage to vehicles, third part liability, assistance, legal expenses etc.), or also to investment activities? How should the sustainability report address Insurance with profit participation?

ESRS reference

ESRS 1 paragraphs 62 and 63.

Key terms

Insurance companies, financial Institutions, own operations, investment activities, reporting boundary

Background

Articles 19a (3) and 29a (3) of the Accounting Directive (Directive 2013/34/EU) require that reported information relates to the undertaking's own operations and its upstream and downstream value chain.

ESRS do not define an undertaking's 'own operations.'

ESRS paragraph 62 states that: 'The **sustainability statement** 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. This requirement does not apply where the reporting undertaking is not required to draw-up financial statements or where the reporting undertaking is preparing consolidated sustainability reporting pursuant to Article 48i of Directive 2013/34/EU.'

ESRS paragraph 63 states that: '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"). In extending the information about the reporting undertaking, the undertaking shall include material impacts, risks and opportunities connected with its upstream and downstream value chain:

- (a) following the outcome of its due diligence process and of its **materiality** assessment; and
- (b) in accordance with any specific requirements related to the value chain in other ESRS.'

Answer

ESRS 1 paragraph 62 clarifies that the sustainability statement shall be prepared for the same reporting undertaking as the financial statements. Therefore, the scope of own operations for an insurance company is guided by the financial reporting requirements, which reflect the business model, and is not necessarily the same as under Solvency II. See also [IG 2 Value Chain](#) chapter 2.3).

Following the definition of business relationship in Annex 2 of the ESRS Delegated Act, the investments (including those related to insurances with profit participation) fall under the scope of an undertaking's business relationships. Therefore, investments are considered part of the value chain and are subject to consideration in the materiality assessment of impacts, risks and opportunities as established in ESRS 1 paragraph 63. Also refer to [Implementation Guidance EFRAG IG 2 Value Chain](#) FAQ 2. When the undertaking has identified material impacts, risks or opportunities that are connected to an investment business relationship, it must disclose them (ESRS 1 chapter 5 *Value chain*).

Regarding investment activities, the sector-agnostic ESRS do not provide Disclosure Requirements concerning specific metrics apart from GHG Scope 3. For GHG Scope 3, Category 15 (Investments) is to be provided, if it is determined to be a significant category in accordance with ESRS E1 paragraphs 44 (c), AR 39 (a), AR 46 and AR 48.

EFRAG expects to add more guidance on these aspects in the forthcoming sector ESRS.

Question ID 148 - Scope of consolidation for non-EU and unconsolidated subsidiaries

Release date

May 2024

Question asked

Shall the (consolidated) sustainability statement of a parent company include all its subsidiaries even if some of them:

- (a) are located outside of the EU; and/or
- (b) if some are not consolidated for financial statements purposes?

ESRS reference

ESRS 1 paragraph 62

Key terms

Non-EU subsidiaries, non-consolidated subsidiaries

Background

The following question was received: ‘Does the (consolidated) sustainability statement of a parent company have to include all its subsidiaries even if some of them are located outside of the EU and/or if some are not (financially/legally) consolidated?’ and changed it to the above question for clarity.

ESRS 1 paragraph 62 states: ‘The sustainability statement 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 90 states: ‘Data and assumptions used in preparing the sustainability statement shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking’s financial statements.’

ESRS 1 paragraph 102 states: ‘When the undertaking is reporting at 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 scope of consolidation of financial statements for undertakings organised as a group is determined by either IFRS or national accounting laws, considering the requirements of the Accounting Directive (Directive 2013/34/EU, specifically Article 21). Exemptions from the consolidation of subsidiaries in the financial statements are provided under Article 23 (9) and (10) of the Accounting Directive.

In addition to these provisions in practise subsidiaries sometimes may not be included in the financial consolidation, based on materiality considerations, even though the legal obligation to consolidate them exists.

Answer

The starting point of the sustainability statement is the perimeter used for financial reporting.

The consolidated sustainability statement of a parent company must include all its subsidiaries in line with the scope of consolidation in financial reporting, even if some of them are located outside of the EU.

The undertaking performs its assessment of material impacts, risks and opportunities based on the business model for the entire consolidated group. Subsidiaries that are immaterial for financial statements and therefore are excluded from the consolidated perimeter when preparing financial statements on an exceptional basis for practical considerations, or in line with national accounting law, may still be material from a double materiality point of view. When this happens, they shall be included in the reporting boundaries of the consolidated sustainability statement, despite them being deemed immaterial for the consolidated financial statements.

See also [IG 1 Materiality assessment FAQ 22: Is a multi-sector group required to include metrics for the entire group or only data related to the material IRO?](#)

Question ID 217 - Prudential consolidation

Release date

March 2024

Question asked

Should an undertaking prepare its ESRS consolidated sustainability statement following the requirements relating to prudential consolidation laid down in Part One, Title II, chapter 2 of the Capital Requirements Regulation (EU) 575/2013?

ESRS reference

ESRS 1 paragraph 62

Key Terms

Prudential consolidation

Background

ESRS 1 paragraph 62 states: ‘The sustainability statement 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.’

In its answer to ID 2013-310 for Regulation (EU) No 575/2013 (CRR), the European Banking Authority states the following:

‘Article 18 (1) of Regulation (EU) No. 575/2013 (CRR) requires institutions to carry out a full consolidation of all institutions and financial institutions which are its subsidiaries for the application of prudential requirements on a consolidated basis.

Undertakings, other than institutions and financial institutions which neither acquire holdings nor pursue any of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU (CRD), are excluded from the scope of prudential consolidation irrespective of whether or not these undertakings are directly or indirectly held by the parent entity. As a result:

- (a) Non-financial subsidiaries are excluded from the scope of prudential consolidation regardless of whether these subsidiaries are fully held by a holding company. On the other hand, the holding company is included for prudential consolidation purposes;
- (b) Conversely, any holding company needs consolidating even when it holds no participation in a financial subsidiary. However, all its participations are excluded for prudential consolidation purposes.’

Answer

In accordance with ESRS 1 paragraph 62, sustainability statements shall be prepared for the consolidated group; therefore, they shall not be grounded in a consolidation based on prudential requirements. The reported information shall meet the qualitative characteristics of information and the requirements in ESRS 1 paragraphs 54, 57 on level of disaggregation: on this basis, if applicable and helpful to produce more understandable and relevant reporting, the undertaking could disaggregate the reported disclosures between those related to the scope of financial consolidation and those related to the scope of prudential consolidation. This is particularly relevant if the undertaking uses the option to incorporate by reference information presented in its Pillar 3 reports (ESRS 1 paragraphs 119/122).

ESRS 1 chapter 6 Time horizons

Question ID 180 - Time horizon: impact versus financial materiality

Release date

February 2024

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 *Definition of short-, medium- and long-term for reporting purposes*

Key terms

Financial materiality; impact materiality; time horizon

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:

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

ESRS 1 paragraph 80 states: ‘There may be circumstances where the use of the medium- or 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 Conclusions 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, to increase comparability the SRB decided to prescribe conventional time periods but to allow deviations from the medium- and long-term time horizons 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 horizons for the short-, medium- and long-term with no distinction being 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.

When applying either the predefined time horizons or when the exception is used and as a result another entity-specific time horizon is used instead of the predefined time horizon, potential or actual impacts may have a different time horizon than risks or opportunities arising from the same sustainability matter (and their related financial effects). Similarly, actions put in place to address impacts may have a different time horizon than actions put in place to address risks or opportunities. Transparency about time horizons is required in connection with impacts and anticipated financial effects, as stated in ESRS 2 SBM-3 paragraph 48 (c) and (e).

Question ID 286 - Financial year different from calendar year

Release date

May 2024

Question asked

Is it possible to report some metrics on a (deviating) financial year and other metrics on a calendar year basis? For example, if the financial year is from 1 July to 30 June, can the reporting of the energy consumption in metrics be based on the energy bill on a calendar year basis (i.e. from 1 January to 31 December) rather than the financial year?

ESRS reference

ESRS 1 chapters 2; 1 chapter 6.1; and 7.2; ESRS 2 BP-2 – *Disclosures in relation to specific circumstances* (paragraphs 6 and 8)

Key terms

Financial year, calendar year, metrics

Background

ESRS 1 paragraph 73 states: ‘The reporting period for the undertaking’s sustainability statement shall be consistent with that of its financial statements.’

ESRS 1 paragraph 90 states: ‘Data and assumptions used in preparing the sustainability statement shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking’s financial statements.’

When making estimates, the qualitative characteristics of information shall be considered (see ESRS 1 chapter 2 and Appendix B). Faithful representation requires information to be (i) complete, (ii) neutral and (iii) accurate. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty.

ESRS 1 paragraph 88 states: ‘An undertaking shall disclose information to enable users to understand the most significant uncertainties affecting the quantitative metrics and monetary amounts reported in its sustainability statement.’

ESRS 1 paragraph 69 states: ‘There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 63 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain by using all reasonable and supportable information, such as sector-average data and other proxies.’

ESRS E1 paragraph AR 42 states with respect to Disclosure Requirements E1-6 - *Gross Scopes 1, 2, 3, and Total GHG emissions*: ‘An undertaking might have a different reporting period from some or all of the entities in its value chain. In such circumstances, the undertaking is permitted to measure its GHG emissions in accordance with paragraph 44 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the undertaking’s reporting period, on the condition that:

- (a) the undertaking uses the most recent data available from those entities in its value chain to measure and disclose its greenhouse gas emissions;
- (b) the length of the reporting periods is the same; and
- (c) the undertaking discloses the effects of significant events and changes in circumstances (relevant to its GHG emissions) that occur between the reporting dates of the entities in its value chain and the date of the undertaking’s general purpose financial statements.’

Answer

No, it is not possible to report metrics for a period which deviates from the financial year.

The reporting period for the undertaking’s sustainability statement shall be consistent with that of its financial statements. Accordingly, the undertaking shall use consistent assumptions adopted in the preparation of the financial statements for all metrics.

When reporting for a financial year from 1 July to 30 June, an undertaking starting for example from the calendar year energy bill as a basis to calculate the energy consumption, shall make

appropriate adjustments to the data when this is necessary to properly depict the effective usage during the period running from 1 July to 30 June.

There are special provisions for ESRS E1 Disclosure Requirement E1-6 dealing with situations where an undertaking has a different reporting period from some or all of the entities in its value chain.

Question ID 1054 – Short-term time horizon

Release date

November 2024

Question asked

Could you please specify the short-term time horizon?

ESRS Reference

ESRS 1 paragraph 77 (a)

Key terms

Time horizon

Background

The following background to the question was provided by the submitter: ‘Since the short-term time horizon is defined as “the period adopted by the undertaking as the reporting period in its financial statements”, the question is whether short-term refers to the reporting period itself or the year after the reporting period, and the reference does only clarify the length of the period.’

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**:

- (a) for the short-term horizon: the period adopted by the undertaking as the reporting period in its financial statements ...’.

Answer

The short-term time horizon normally lasts one year, from the end of the reporting period.

The length of the short-term time horizon is defined as the period adopted by the undertaking in its financial statement as the reporting period; this period extends from the end of the reporting period into the future (ESRS 1 paragraph 77 (a)).

The reporting period adopted by the undertaking in its financial statements is in nearly all cases one year (and in rare cases longer if the operating cycle is longer than one year (e.g. might be the case for producers of whisky or cigars based on the definition of operating cycle in IFRS (IAS 1))).

This short-term period lasts one year, from the end of the reporting period (also often called balance-sheet date), as stated in ESRS 1 paragraph 77 ('... as of the end of the reporting period ...').

ESRS 1 chapter 7 preparation and presentation of sustainability information

Question ID 552 – Comparative information

Release date

May 2024

Question asked

Does the company need to report data from previous years?

ESRS 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 for 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 on 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 always 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 (e.g., targets) request the disclosure of the base year when reporting on 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).

ESRS 1 chapter 8 Structure of sustainability statement

Question ID 38 - Structure of the sustainability statement

Release date

March 2024

Question asked

Separating HR policies (ESRS S1-1), action plans (ESRS S1-4), targets (ESRS S1-5) and metrics (ESRS S1-9 to S1-17) is not efficient for the understanding of users. Can we put into one chapter, for each material issue (e.g., health and safety), the policy with the targets, the action plan, and the metrics?

ESRS reference

ESRS S1 paragraph 11, ESRS 1 chapter 8, ESRS 1 Appendix F

Key Terms

Structure of the sustainability statement

Background

ESRS 1 chapter 8 provides the basis for the presentation of information about sustainability matters prepared in compliance with Articles 19a and 29a of Directive 2013/34/EU (i.e., the sustainability statement) within the undertaking's management report.

ESRS 2 paragraph 49 states: 'The undertaking may disclose the descriptive information required in paragraph 46 – ESRS 2 SBM-3 – 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 S1 paragraph 11 specifies that the ESRS 2 General disclosures in topical standards shall be presented alongside the disclosures required by ESRS 2 except for ESRS 2 SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*, for which the undertaking has an option to present the disclosures alongside the topical disclosures.

Answer

In relation to the presentation of information required by a topical standard, flexibility is provided to the undertaking as there are no specific requirements defining how an undertaking shall present the reported information related to a specific topic required by a given topical standard.

Therefore, for a given material matter (for example, health and safety) the undertaking may present the applicable disclosures on policies, actions, targets and metrics all together and does not have to follow the structure of the disclosure requirements within the topical standard, such as ESRS S1 Own workforce.

Regarding the overall sustainability reporting, ESRS 1 paragraph 115 clarifies that the sustainability statement must be structured in four parts: 'general information, environmental information, social information and governance information'. A particular treatment is anticipated for ESRS 2 SBM-3 related disclosures¹ required by topical standards, which can be either presented alongside the other ESRS 2 General disclosures or alongside the respective topical disclosures (environmental, social and governance). In case the ESRS 2 General disclosures required by topical standards are presented alongside other topical disclosures, the undertaking still has to present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under ESRS 2 SBM-3. Appendix F of ESRS 1 provides a non-binding structure for a sustainability statement.

Question ID 296 – Location of ESRS 2-related Disclosure Requirements in topical standards

Release date

May 2024

¹ This ID received an editorial update in July 2024: The previous reference 'ESRS 2 General Disclosures' has been changed to 'ESRS 2 SBM-3 related disclosures'.

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 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 Disclosure Requirement IRO-1-related).

For the descriptive information required in ESRS 2 paragraph 46 (ESRS 2 Disclosure Requirement SBM-3-related disclosures), there is an option to present them alongside the relevant topical disclosure if the undertaking elects to follow the option in ESRS 2 paragraph 49.

Question ID 401 - Include quantitative information in qualitative information

Release date

May 2024

Question asked

When completing the narrative response for the ‘Description of the key products and materials that come out of the undertaking’s production process’, can the quantitative metrics that are also required to be disclosed be included (i.e., the total waste generated in mass)? Additionally, can derivative metrics that are not required but that provide additional detail such as total waste to revenue or total waste to enterprise value be included in the narrative response?

ESRS reference

ESRS E5 Disclosure Requirement E5-5

Key terms

Quantitative metrics, resource outflows, ESRS E5 Disclosure Requirement E5-5

Background

ESRS E5-5 states that an undertaking shall disclose information on its resource inflows, including waste, related to its material impacts, risks and opportunities.

ESRS 1 paragraph 19 states that: ‘When preparing its **sustainability statement**, the undertaking shall apply:

- (a) the fundamental qualitative characteristics of information, i.e. relevance and faithful representation; and
- (b) the enhancing qualitative characteristics of information, i.e. comparability, verifiability and understandability.’

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 2 paragraph 73 states: ‘The undertaking shall apply the requirements for the content of disclosures in this provision when it discloses on the **metrics** it has in place with regard to each material **sustainability matter**.’

ESRS 2 paragraph 75 states that: ‘The undertaking shall disclose any **metrics** that it uses to evaluate performance and effectiveness, in relation to a material **impact, risk or opportunity**.’

Answer

Yes, it is allowed, or even required, on an entity-specific basis following ESRS 1 paragraph 11, to include quantitative data in the description of resource inflows, and to disclose additional non-standardised metrics when such quantitative data are needed to enable users to understand the undertaking's material sustainability-related impacts, risks or opportunities. This approach is not only valid for the disclosures in E5-5 but in general for all the qualitative disclosures in ESRS.

Question ID 426 – Structure of the sustainability statement

Release date

May 2024

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 ESRS 1 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 for 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 following: ‘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.’ In addition, the undertaking may consider incorporation by reference subject to the requirements in ESRS 1 chapter 9.1 *Incorporation by reference*.

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

To note:

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

The digital ESRS XBRL Taxonomy may help to prepare the sustainability statement in a structured way. Starting to prepare the mapping of the information to be reported with the digital ESRS XBRL Taxonomy will facilitate the subsequent tagging of the ESG information required by the machine-readable format. Therefore, EFRAG encourages to take inspiration from the digital ESRS XBRL Taxonomy to structure the sustainability disclosures. IG 3 *List of ESRS Data Points* offers a useful tool to perform this exercise.

Currently, there is no detailed template for the sustainability statement. EFRAG might consider providing a template in the future.

Question ID 762 – Location of policies, actions and targets in the sustainability report

Release date

July 2024

Question asked

- (1) In relation to Minimum Disclosure Requirements (MDR) on policies, actions and targets, shall the undertaking report them:
 - i. all aggregated in three blocks, each for policies, actions and targets; or
 - ii. disaggregated, i.e. each policy together with the related action(s) and target(s)?
- (2) What if policies, actions or targets are related to more than one topical standard?

ESRS reference

ESRS 1 paragraphs 13, 115 and AR 18; ESRS 1 chapter 3.6 *Material impacts or risks arising from actions to address sustainability matters*; ESRS 2 paragraphs 61 and 71

Key terms

Structure of the sustainability statement; policies, actions and targets

Background

The question received, ‘[In relation to MDR on policies, actions and targets, should the undertaking report in each topical standard one or multiple policies, actions and targets? If so, should the undertaking report topical datapoints related to each policy, action or target in one block or for each policy?](#)

was modified to be able to address it more precisely and to add more nuance to the question.

ESRS 1 paragraph 13 states: ‘The undertaking shall apply the minimum disclosure requirements regarding policies, actions, metrics and targets together with the corresponding Disclosure Requirements in topical and sector-specific ESRS.’

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.’

ESRS 1 paragraph AR 18 states: ‘As an illustration for paragraph 115 in section 8.2 *Content and structure of the sustainability statement* of this Standard, the undertaking that covers environmental and social matters in the same policy may cross-refer. That means that the undertaking may report on the policy in its environmental disclosures and cross-refer to it from the relevant social disclosures and vice versa. Consolidated presentation of policies across topics is allowed.’

ESRS 2 paragraph 61 on **MDR on policies and actions** states: ‘The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or the 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.’

ESRS 2 paragraph 71 on metrics and targets states: ‘The corresponding disclosures shall be located alongside disclosures prescribed by the topical ESRS.’

ESRS 1 chapter 3.6 paragraphs 52 and 53 state:

‘52. The undertaking’s materiality assessment may lead to the identification of situations in which its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material negative impacts or cause material risks in relation to one or more other sustainability matters. For example:

- (a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking’s own workforce and result in material risks due to redundancy payments; or

- (b) an action plan of an automotive supplier to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.

53. In such situations, the undertaking shall:

- (a) disclose the existence of material negative impacts or material risks together with the actions that generate them, with a cross-reference to the topic to which the impacts or risks relate; and
- (b) provide a description of how the material negative impacts or material risks are addressed under the topic to which they relate.'

Answer

- (1) In relation to Minimum Disclosure Requirements (MDR) on policies, actions and targets, shall the undertaking report them:**
- i. all aggregated in three blocks each for policies, actions, and targets; or
 - ii. disaggregated, i.e. each policy together with the related action(s) and target(s)?

The structure of the sustainability statement shall be presented in four parts as prescribed by ESRS 1 paragraph 115. The undertaking shall apply the minimum disclosure requirements regarding policies, actions, metrics and targets together with the corresponding Disclosure Requirements in topical and sector-specific ESRS (ESRS 1 paragraph 13).

Both alternatives are possible provided that the qualitative characteristics of information (see ESRS 1 chapter 2) are met. A combination of approach (a) and (b) is also possible. Reference from one part of the sustainability statement to another is allowed, avoiding duplications (ESRS 1 paragraph 115).

- (2) What if policies, actions or targets relate to more than one topical standard?**

When a single **policy** or the same **actions** address more than one sustainability topic, 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 (see ESRS 1 paragraph 61).

ESRS 2 paragraph 71 requires that metrics and targets be located alongside the disclosures prescribed by the topical ESRS. ESRS 2 does not specify what to do when the same metric or the same target covers more than one sustainability topic.

See also [Question ID 426 Structure of the sustainability statement.](#)

Question ID 906 – Structure of sustainability statement – annex / appendix possible?

Release date

July 2024

Question asked

Is there the possibility to implement an ‘Appendix’ as another part of the sustainability statement (mainly for the content index, EU datapoint table, etc.)?

ESRS reference

ESRS 1 chapter 8.2; ESRS 2 paragraphs 56 and 119

Key terms

Structure of the sustainability statement; content index; EU-datapoint table; potential appendix

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. The undertaking may apply the detailed structure illustrated in Appendix F of this Standard.’

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 ESRS1 paragraph 35.’

ESRS 1 paragraph 119 states: ‘Provided that the conditions in paragraph 120 are met, information prescribed by a Disclosure Requirement of an ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the sustainability statement by reference to:

- (a) **another** section of the management report;
- (b) the financial statements;
- (c) the corporate governance statement (if not part of the management report) ...’

ESRS 1 paragraph 120 states: ‘The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 119, provided that the disclosures incorporated by reference:

- (a) constitute a separate element of information and are clearly identified in the document concerned as addressing the relevant Disclosure Requirement, or the relevant specific datapoint prescribed by a Disclosure Requirement;
- (b) are published before or at the same time as the management report;
- (c) are in the same language as the sustainability statement;
- (d) are subject to at least the same level of assurance as the sustainability statement; and
- (e) meet the same technical digitalisation requirements as the sustainability statement.

Answer

It is possible to have the content index and the EU datapoint table as another section of the management report.

The sustainability statement shall consist of four parts (ESRS 1 paragraph 56). The first part is related to general information. As the content index and the datapoints that derive from other EU legislation are part of the ESRS 2 Disclosure Requirement IRO-2 – *Disclosure Requirements in ESRS covered by the undertaking's sustainability statement*, they need to be included in the part related to general information. However, information can, subject to the incorporation by reference requirements of ESRS 1 paragraph 120, also be placed in ‘another section of the management report’ (ESRS 1 paragraph 119 (a)).

See also [Question ID 628 Content index](#).

ESRS 1 chapter 9 Linkages with other parts of corporate reporting and connected information

Question ID 243 - Reference to financial statements

Release date

March 2024

Question asked

Can you explain and give more context to the datapoint in ESRS S1 paragraph 50 (f)?

ESRS reference

ESRS 1 chapter 9; ESRS S1 paragraph 50 (f)

Key Terms

Cross-reference to financial statements, ESRS S1 Disclosure Requirement S1-6

Background

ESRS S1-6 paragraph 50 (f) requires undertakings to disclose: ‘a cross-reference of the information reported under (a) above to the most representative number in the financial statements.’

ESRS S1-6 paragraph 50 (a) requests 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.’

ESRS 1 paragraph 124 addresses the matter of connectivity with financial statements and states: ‘when the sustainability statement includes monetary amounts or other quantitative datapoints that exceed a threshold of materiality and that are presented in the financial statements (direct connectivity between information disclosed in sustainability statements and information disclosed in financial statements), the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.’

Directive 2013/34/EU, Article 16 describes the ‘Content of the notes to the financial statements relating to all undertakings’ and requires the disclosure of (1)(h) ‘the average number of employees during the financial year.’

Answer

This datapoint requirement is based on the principle of connectivity between the sustainability statement and the financial statement, which is described in ESRS 1 chapter 9.2. In paragraphs 124 and 125 of this chapter, a distinction is made between direct connectivity (paragraph 124) and indirect connectivity (paragraph 125). In both cases, the principle is that monetary or quantitative amounts that exceed the threshold of materiality shall be cross-referenced from the sustainability statement to the financial statements; for indirect connectivity, this means explaining how these amounts relate to the most relevant amounts presented in the financial statements. Where appropriate, a reconciliation may be provided, and it may be presented in tabular form.

On this basis, the objective of ESRS 1 S1-6 paragraph 50 (f) is to cross-check the number of employees required by paragraph 50 (a) against the most appropriate amount disclosed in the financial statements. This includes the average number of employees during the year, disclosed according to Article 16 of the Directive 2013/34/EU as transposed into the laws of each EU Member State, and other relevant data if they are disclosed in the financial statements.

Given that ESRS S1-6 provides some flexibility in terms of methodology for calculating the head count number of employees (i.e., average or at the end of the year), the undertaking is required to disclose the methodology used as per paragraph 50 (d)(ii). If an undertaking uses a different methodology for calculating the head count between the note to the financial statements and this datapoint in ESRS S1-6 (e.g., average for the former, end of the year for the latter), it shall explain the difference in the basis for calculation following the principle of connectivity defined in ESRS 1.

Question ID 1047 – Conditions for incorporation by reference and content index

Release date

November 2024

Question asked

Is it mandatory to make explicit reference to the specific Disclosure Requirement when incorporating by reference, or is referring to Disclosure Requirements in other parts of the annual report in the IRO-2 table sufficient?

ESRS Reference

ESRS 1 paragraphs 119 and 120; ESRS 2 paragraph 56 (content index requirement)

Key terms

Incorporation by reference; content index

Background

ESRS 1 paragraphs 119 and 120 state:

- '119. Provided that the conditions in paragraph 120 are met, information prescribed by a Disclosure Requirement of an ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the sustainability statement by reference to:
- (a) another section of the management report;
 - (b) the financial statements;
 - (c) the corporate governance statement (if not part of the management report);
 - (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council (9);
 - (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129(10); and
 - (f) public disclosures under Regulation (EU) No 575/2013 of the European Parliament and of the Council (11) (Pillar 3 disclosures). If the undertaking incorporates by reference information from Pillar 3 disclosures, it shall ensure that the information matches the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.
120. The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 119, provided that the disclosures incorporated by reference:
- (a) constitute a separate element of information and **are clearly identified in the document concerned as addressing the relevant Disclosure Requirement**, or the relevant specific datapoint prescribed by a Disclosure Requirement;
 - (b) are published before or at the same time as the management report;
 - (c) are in the same language as the sustainability statement;
 - (d) are subject to at least the same level of assurance as the sustainability statement; and
 - (e) meet the same technical digitalisation requirements as the sustainability statement.'

ESRS 1 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

Yes, it is mandatory to make explicit reference in the sustainability statement to the specific Disclosure Requirement (and, where applicable, to the datapoint of a Disclosure Requirement) when incorporating by reference. At the same time, it is also necessary to clearly identify in the source document (i.e. the document that the sustainability statement refers to) the content that the undertaking intends to incorporate by reference as the information that corresponds to the relevant ESRS Disclosure Requirement (or the relevant specific datapoint) prescribed by an ESRS Disclosure Requirement.

Incorporation by reference according to ESRS 1 paragraph 119 requires that all the conditions of ESRS 1 paragraph 120 be met. One of those conditions is that the disclosure incorporated by reference ‘constitute a separate element of information and be clearly identified in the document concerned as addressing the relevant Disclosure Requirement(s), or the relevant specific datapoint(s) prescribed by a Disclosure Requirement’ (see ESRS 1 paragraph 120(a)). Reference in the sustainability statement only – for example, as part of the ‘content index’ as required by ESRS 1 paragraph 56 – to the sections that are incorporated by reference is not sufficient to meet the ESRS 1 paragraph 120(a) requirement. A clear identification in the document incorporated by reference (for example, in another section of the management report or the financial statements) addressing the relevant Disclosure Requirement(s) or the datapoint(s) is also needed.

ESRS 1 chapter 10 Transitional provisions

Question ID 204 - Phase-in for first-time large undertakings

Release date

March 2024

Question asked

Companies that become ‘large undertakings’ for the first time: do they benefit from the Phase-In Requirements?

ESRS reference

ESRS 1 paragraph 137 and Appendix C: List of phased-in Disclosures Requirements

Key terms

Phase-in requirements, first-time large undertaking

Background

The only question by the submitter marked as ‘1: explanation’ is answered here. The submitter also had a second question: ‘[Are the ESRS requirements applicable from the year they exceed the thresholds?](#)’ which is not in scope of the Q&A platform and was forwarded to the European Commission.

ESRS 1 section 10.4 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.’

In setting phase-ins, ESRS 1 Appendix C uses the wording ‘... for the first year (for the first two years/for the first three years) of preparation of its sustainability statement ...’

Answer

As stated in ESRS 1 Appendix C, the phase-in requirements apply to the first year, to the first two years or to the first three years ‘of preparation of its sustainability report’. All undertakings meeting the criteria of the Accounting Directive (Directive 2013/34/EU) Article 3 of large undertakings (groups) may benefit from the phase-in requirements listed in ESRS 1 Appendix C, including undertakings that become ‘large undertakings’ for the first time.

Question ID 291 - Phase-in 750 employees and topical standards

Release date

May 2024

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 or less employee undertakings?

ESRS reference

ESRS 1 Appendix C: List of phase-in Disclosure Requirements

Key terms

Phase-in less than 750 employees, ESRS 2 related disclosures in topical standards

Background

For the topical standards of ESRS E4, S1, S2, S3 and S4, ESRS 1 Appendix C has the following phase-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 two years (for ESRS S1, “first year”) of preparation of their sustainability statement.’

ESRS 2 paragraph 2 states: ‘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 states: ‘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, subtopic or sub-subtopic) in AR16 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, subtopic or sub-subtopic;
- (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 in the respective chapters in ‘ESRS 2 General Disclosures’ of the topical standards ESRS E4, S1, S2, S3 and S4.

However, 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 to the undertaking. To comply with these minimum disclosures, a materiality analysis at the topical level is therefore needed to identify the material topics of ESRS E4, S1, S2, S3 or S4.

See also [Question ID 58 — Transitional provisions 750 employees](#)

Question ID 910 – Transitional provisions for value chain and Scope 3 GHG emissions

Release date

July 2024

Question asked

Can the transitional provision in ESRS 1 paragraphs 132 to 135 be applied to the reporting of Scope 3 emissions in ESRS E1 paragraph 44 (c)?

ESRS reference

ESRS 1 paragraphs 132 to 135, ESRS 1 Appendix C: *List of phased-in Disclosure Requirements*; ESRS 2 Appendix B: *List of datapoints in cross-cutting and topical standards that derive from other EU legislation*; and ESRS E1 paragraph 44 (c)

Key Terms

Value chain, transitional provisions, Scope 3 GHG emissions

Background

ESRS E1 paragraph 44 states: ‘The undertaking shall disclose in metric tonnes of CO₂eq its:

- (a) gross Scope 1 GHG emissions;
- (b) gross Scope 2 GHG emissions;
- (c) gross Scope 3 GHG emissions; and
- (d) total GHG emissions.’

ESRS 1 paragraph 133 states: ‘For the first three years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their **value chain** and in order to limit the burden for SMEs in the value chain:

- (a) when disclosing information on **policies, actions** and **targets** in accordance with ESRS 2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and
- (b) when disclosing **metrics**, the undertaking is not required to include upstream and downstream value chain information except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.’

Answer

No, the transitional provisions outlined in ESRS 1 paragraphs 132 to 135 cannot be applied to reporting Scope 3 emissions as required by ESRS E1 paragraph 44 (c). A phase-in exception applies

to undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year.

The disclosure of Scope 3 emissions is a datapoint derived from EU legislation, as indicated in ESRS 2 Appendix B (Disclosure Requirement and related datapoint: ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44). Despite the transitional provisions of ESRS 1 paragraph 133 (b), datapoints derived from EU legislation, such as Scope 3 emissions, shall be reported.

It is, however, noteworthy that ‘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 datapoints on Scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement’ (see ESRS 1 Appendix C: *List of phased-in Disclosure Requirements*).

Question ID 923 – Phase-in entity-specific disclosures

Release date

November 2024

Question asked

Do undertakings need to include entity-specific disclosures for the first three years of reporting?

ESRS Reference

ESRS 1 paragraph 131

Key terms

Phase-in requirements; entity-specific disclosures

Background

ESRS 1 paragraph 131 states: ‘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.’

Answer

Yes, entity-specific disclosures are required for the first three years of reporting of sustainability information.

ESRS 1 paragraph 131 only gives a three-year transition period for the preparation of the entity-specific disclosures under which the undertaking may as a priority derive those measures from ESRS 1 paragraph (a) or (b). ESRS 1 paragraph 131 does not provide a phase-in for entity-specific provisions in general.

See also ESRS 1 Chapter 10.2 *Transitional provision related to Chapter 5 value chain* taking precedence.

Question ID 1090 – Length of transitional provisions for early adopters

Release date

November 2024

Question asked

Which year does the phase-in apply for a company that voluntarily publishes a CSRD report one year prior to being required? What about comparative information?

ESRS Reference

ESRS 1 paragraph 136 and 137; ESRS 1 Appendix C: *List of phased-in Disclosure Requirements*

Key terms

Phase-in requirements; comparative information; early adopters

Background

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.*

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.’

Answer

The voluntarily publication of sustainability statements one year earlier than required under the CSRD does not affect the phase-in requirement periods granted by ESRS 1.

Voluntary early application of the ESRS sustainability statement by an undertaking does not count in respect of the years of preparation under ESRS, is not recognised legally, and therefore does not affect the date from when the phase-ins should be calculated. Accordingly, in the year of mandatory application of ESRS, the undertaking may present its sustainability statement without

comparative information in accordance with ESRS 1 paragraph 136 even if it has prepared a voluntary sustainability statement in the preceding year.

Question ID 1144 – Phase-in 750 employees: Calculation of average number

Release date

November 2024

Question asked

In the phase-in section, companies with 750 or more employees shall start reporting from the first year. The question is how to calculate the number of employees for this. Should it be done on a headcount or a full-time-equivalent basis?

ESRS Reference

ESRS 1 Appendix C

Key terms

Phase-in less than 750 employees; phase-in requirements

Background

The question received, ‘In the phase-in section, companies with 750 or more employees have to start reporting from the first year. The question is how to calculate the number of employees for this. For, e.g., if I count by head count that a company has 800 employees, the company must comply with ESRS and start reporting from the first year. But, if I count employees by FTEs, it is 700. So, the company can opt for phase-out’, was modified to the above question to be more precise.

ESRS 1 Appendix C: List of phased-in Disclosure Requirements has six phase-in provisions applicable for ‘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)’.

Answer

The ‘average number of employees’ shall be calculated in line with the size criteria as stipulated in the Accounting Directive (Directive 2013/34/EU) Article 3.

The Accounting Directive in Article 3 used the term ‘average number of employees during the financial year’. This is exactly the same term used in ESRS 1 Appendix C, aligning ESRS to the wording and requirement used in the Accounting Directive. The Accounting Directive has been transposed in the national laws of the Member States and it is expected that, based on this transposition, each Member State or country has a well-established guidance and practice for how to calculate the average number of employees during the financial year. The requirements

transposed in national law shall be applied to determine the number of employees for the ‘750 employee phase-in’ provision.

Accordingly, also considering connectivity with financial statements, the number calculated for and reported in financial statements shall be consistent with that used for ESRS 1 Appendix C, i.e. the ‘750 employee criteria’.

See also ESRS 2 paragraph 17 relating to the use of the ‘750 employee phase-in provision’ and the applicable Disclosure Requirements when making use of that provision.

ESRS 2 General disclosures

ESRS 2 General disclosures

Questions related to all Disclosure Requirements

Question ID 177 – Mapping sustainability matters as listed in ESRS 1 paragraph AR 16 with Disclosure Requirements

Release date

November 2024

Question asked

Is there a mapping link between the sustainability matters listed in ESRS 1 paragraph AR 16 and the Disclosure Requirements in the topical standards or must judgement be used in deciding the disclosures required for a material sustainability matter?

Answer

Due to its importance and size ID 177 has been placed in a separate document:

[Question ID 177 - Mapping of sustainability matters to topical disclosures \(Q&A ID 177\)](#)

Question ID 733 – Overlap of ESRS 2 and topical standards

Release date

July 2024

Question asked

Can the ESRS 2 datapoints be overlapping with those in topical standards? What would be the scope of information the preparer is expected to provide within ESRS 2 (that is distinctive of topical standards datapoints)?

ESRS reference

ESRS 1 paragraph 115; ESRS 2 paragraph 2 and Appendix C; Disclosure Requirements related to ESRS 2 in the topical ESRS

Key terms

ESRS 2-related disclosures in topical standards; structure of the sustainability statement

Background

ESRS 1 paragraph 115 states: ‘The undertaking shall structure its sustainability statement in four parts in the following order: general information, environmental information ... 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 2 states: ‘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 in conjunction 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*).’

Answer

No, the ESRS 2 Disclosure Requirements do not overlap with the Disclosure Requirements in topical ESRS with the exception of the Minimum Disclosure Requirements (MDRs) in ESRS 2 Chapter 4.2 *Minimum disclosure requirement on policies and actions* and chapter 5 *Metrics and targets*.

The MDR may overlap by definition with those in the topical standards as they are a checklist to be used for completeness: i.e. when a datapoint in MDR is already covered by a topical standard, undertakings are not supposed to report twice the same information.

Some Disclosure Requirements in the topical ESRS (labelled ‘Disclosure Requirement related to ESRS 2 GOV-1, GOV-3, SBM-2, SBM-3 or IRO-1 ...’ in the respective topical ESRS; see Appendix C of ESR 2) further specify the ESRS 2 disclosures in relation to the respective topical matter (see ESRS 2 paragraph 2).

The ESRS 2 disclosures, together with their specifications in topical ESRS, are expected to be disclosed as part of the general information of the sustainability statement. To avoid duplications, an undertaking may refer in one part of the sustainability statement to information presented in another part as stated in ESRS 1 paragraph 115.

See also [Question ID 296 – Location of ESRS 2-related Disclosure Requirement of topical standards.](#)

ESRS 2 BP-2 Disclosure in relation to specific circumstances

Question ID 58 - Transitional provisions 750 employees

Release date

February 2024

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

Key terms

Phase-in 750 employees

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:

- (a) 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;
- (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.'

ESRS 1 paragraph 137 states: 'Appendix C List of phase-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 phase-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 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 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.
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Answer

The transitional provisions apply to 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). The option is to omit the information required by all the disclosure requirements in the following topical standards: ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4.

The regime of these provisions varies depending on the topical standard. The transitional provisions on ESRS S1 only apply to the first 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 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).

The materiality assessment covers the environmental, social and governance matters connected to the undertaking as established by the CSRD (i.e., a climate-first approach or an environmental only approach was not the intention of the co-legislators); the sustainability statement is to include a holistic view of sustainability matters regardless of whether social standards are subject to transitional provisions. Hence, the ESRS 2 paragraph 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 allow undertakings to provide less granular information than what is required after the transition period. The information to be provided for the matters are more summarised (i.e., as briefly as referred to in 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 the following:

- (a) Paragraph 48 (a): Under ESRS 2 paragraph 17, the undertaking may choose to disclose at topic, subtopic or sub-subtopic 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.
- (b) 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.
- (c) Paragraph 48 (c) to (h) sets requirements to disclose more detailed information about material IROs. As these are not required to be identified in the transition period, these 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 paragraph 48 (c) to contextualise the material impacts identified.

ESRS 2 paragraph 17 (b) to (e) provides de minimis information corresponding to disclosure requirements in topical standards in case an undertaking elects not to disclose topical information in the transition period. The transitional provision requires a summarised description of the policies, actions and targets and does not require to fulfil the detailed datapoints in MDR (P, T, A) in ESRS 2 and/or topical standards.

Finally, for metrics, the undertaking is to apply judgement to fulfil 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).

Question ID 306 - Location of MDR (Disclosure Requirement BP-2) in the report during phase-in 750 employees

Release date

May 2024

Question asked

In the first years of the phase-in 750 employees, where should the disclosures required by ESRS 2 Disclosure Requirement BP-2 (paragraph 17) be reported?

ESRS reference

ESRS 1 paragraph 115; ESRS 2 Minimum Disclosure Requirements paragraphs 61 and 71

Key words

Minimum disclosure requirements; phase-in less than 750 employees; transitional provisions

Background

ESRS 1 paragraph 115 states: ‘The undertaking shall structure its sustainability statement in four parts, in the following order: general information, environmental information, social information and governance information . . . 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 ESRS 1.

ESRS 2 paragraph 61 states in respect of policies and targets: ‘The minimum disclosure requirements on policies and actions 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.’

ESRS 2 paragraph 71 states in respect of metrics and targets: ‘The corresponding disclosures shall be located alongside disclosures prescribed by the topical ESRS.’

Answer

The undertaking shall structure its sustainability statement in four parts (ESRS 1 paragraph 115).

ESRS 2 Disclosure Requirement BP-2 (including its paragraph 17) is part of the general information required by ESRS 2 and as such, on a literal reading of ESRS 1 paragraph 115, could be disclosed as part of the general information, for example, together with the Disclosure Requirement SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

However, based on ESRS 1 paragraph 115, environmental, social and governance related information can – appropriately cross-referenced - also be disclosed with the respective environmental, social and governance related parts of the sustainability statement. This is in line with ESRS 2 paragraph 61 on the minimum disclosure requirement for policies and actions and with ESRS 2 paragraph 71 on metrics and targets, both allowing information to be located alongside disclosures prescribed by the relevant topical ESRS.

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

Release date

May 2024

Question asked

If the undertaking cannot disclose 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 Disclosure Requirement 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 datapoints are assessed to be 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

No, this is not the case for metrics. 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 applies instead. Material metrics are to be reported. If the metric cannot be determined through direct data collection, it shall be estimated.

The level of measurement uncertainty of metrics is not a reason for omitting them. 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 that the entity has made in measuring it.

ESRS 2 GOV-1 The role of administrative, management and supervisory bodies

<https://xbrl.efrag.org/e-esrs/esrs-set1-2023.html#d1e6065-3-1>

Question ID 171 and ID 358 – Administrative, management and supervisory bodies

Release date

March 2024

Question asked

Please clarify with examples what is meant by ‘administrative, management and supervisory bodies’ as a collective versus ‘management’ and ‘management-level position’ versus ‘senior executive management’.

[This explanation also answers question ID 358:] Could you please specify clearly what is to be included in the administrative, management and supervisory bodies? By this, I mean, it refers to only a highest body (Board of Directors) or it refers to another body or other bodies?

ESRS reference

ESRS 2 paragraph 22 (a) and (d)

Key terms

Administrative, management, and supervisory bodies

Background

The Annex II Acronyms and Glossary of Terms defines ‘administrative, management and supervisory bodies’ as follows:

‘The governance bodies with the highest decision-making authority in the undertaking include its committees. If in the governance structure there are no members of the administrative, management or supervisory bodies of the undertaking, the CEO and, if such function exists, the deputy CEO should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.’

GRI is also a useful source of complementary guidance: GRI uses ‘highest governance body’ as well in reference to the ‘administrative, management and supervisory bodies’. GRI 102 requires jurisdictions with two tiers of governance bodies to consider both as ‘highest governance bodies’.

ESRS do not define the term ‘senior executive management’. However, GRI explicitly defines ‘senior executive management’ in GRI 102 as top-ranking members of the management of an organisation including a Chief Executive Officer (CEO) and individuals reporting directly to the CEO or to the highest governance body. Each organisation defines which members of its management teams are senior executives.

Undertakings might report the identity of their ‘management body’ and ‘governance body’ as part of the corporate governance statement as they are key actors in the national corporate governance codes. ESRS 1 paragraph 119 allows an undertaking to incorporate in the sustainability statement information prescribed by a Disclosure Requirement of ESRS, including a specific datapoint prescribed by a Disclosure Requirement by reference to the corporate governance statement (if not part of the management report), provided that the conditions in paragraph 120 are met.

Answer

As defined in Annex II of ESRS, administrative, management and supervisory bodies as a collective have the highest decision-making authority. The governance bodies which are covered under this definition can vary from one jurisdiction to another. This is because some jurisdictions have different bodies for management and supervision, respectively, whereas others have one unique body carrying out both roles.

‘Senior executive management’ must be understood as a higher position than a ‘management-level position’.

In the description of their governance bodies and management, undertakings need to ensure consistency between the sustainability statement and the corporate governance statement as well as other corporate communications in general.

Question ID 728 – Representation of employees and other workers

Release date

July 2024

Question asked

Is the ‘representation of employees and other workers’ in ESRS 2 paragraph 21 (b) asking which of the board members is also an employee, or is it about whether there are workers’ representatives in the board?

ESRS reference

ESRS 2 paragraph 21 (b)

Key terms

Representation of employees and other workers

Background

ESRS 2 paragraph 21 states: ‘The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking’s administrative, management and supervisory bodies:...

(b) representation of employees and other workers ...’.

GRI is also a useful source of complementary guidance since it also requires describing the composition of the highest governance body and its committees. However, ESRS paragraph 21 (b) requires reporting the representation of employees and other workers, whereas GRI 2-9-c-viii requires reporting stakeholder representation, which includes but is not limited to employees and other workers.

Answer

The undertaking shall disclose whether there are representatives of the undertaking’s employees and other workers in their administrative, management and supervisory bodies. This is because ESRS 2 paragraph 21 (b) requires information on the ‘representation of employees and other workers’. These representatives are selected in line with EU / national legislation on worker representation in administrative, management and supervisory bodies, i.e. being either elected directly by the workforce or appointed by workers’ representative bodies, e.g. trade unions, works councils or European works councils.

Question ID 781 – General meeting

Release date

July 2024

Question asked

Is the general meeting to be considered as an ‘administrative, management and supervisory body’? The general meeting is usually a company’s highest decision-making body. However, it seems that the general meeting is not mentioned once in any of EFRAG’s materials, such as Q&As, and the focus is on the Board of Directors, its committees and the CEO.

ESRS reference

ESRS 2 GOV-1

Key terms

Categorisation of the general meeting

Background

Annex II of the ESRS defines ‘administrative, management and supervisory bodies’ as follows: ‘The governance bodies with the highest decision-making authority in the undertaking including its committees. If in the governance structure there are no members of the administrative, management or supervisory bodies of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.’

In contrast, the general meeting is a mandatory annual meeting in which an undertaking’s shareholders or owners exercise their decision-making powers. Matters within the decision-making power of the general meetings include the matters provided for in law or the articles of association, such as the remuneration and appointment of directors and auditors, adoption of the company’s financial statements, distribution of assets, discharge from liability of the executives, amendments to the articles of association and decisions relating to the company’s shares or share capital.

The Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings makes a clear distinction between the general meeting (or shareholder meeting) and the administrative, management and supervisory bodies and their committees.

Additionally, national Corporate Governance Codes make a similar distinction and provide guidance and recommendations regarding best practices for both the general meeting and the administrative, management and supervisory bodies.

Answer

No, the general meeting should not be considered an ‘administrative, management and supervisory body’. It is a separate governance body with specific powers attributed to shareholders or owners. The general meeting is not addressed by ESRS but instead by the Accounting Directive using, however, the term ‘shareholder meeting’ with respect to the Corporate Governance Statement and by the national Corporate Governance Codes.

Question ID 1072 – ESRS 2 GOV-1 – ESG expertise of governance bodies

Release date

November 2024

Question asked

How can one document ESG knowledge and the competences of the management board and supervisory board? Should it be one person from the Management Board or the Supervisory Board who has these features or else the entire Management Board and the entire Supervisory Board? Can it be an attorney? Should it be a course, training or, for example, studies?

ESRS Reference

ESRS 2 paragraphs 19, 20, 23 and AR 5

Key terms

Expertise and skills, sustainability related; administrative, management and supervisory bodies

Background

ESRS 2 paragraph 19 states: ‘The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.’

ESRS 2 paragraph 20 states: ‘The objective of this Disclosure Requirement is to provide an understanding of: ...

- (c) the expertise and skills of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.’

ESRS 2 paragraph 23 states: ‘The disclosure shall include a description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee sustainability matters, including:

- (a) the sustainability-related expertise that the bodies, as a whole, either directly possess or can leverage, for example through access to experts or training; and
- (b) how those skills and expertise relate to the undertaking’s material impacts, risks and opportunities.’

ESRS 2 paragraph 20 states: ‘The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking’s material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.’

ESRS 2 paragraph AR 5 states: ‘The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the

undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.'

Answer

ESRS do not prescribe behaviour but require disclosure.

The sustainability-related expertise and skills could be with one person or with more than that from the administrative, management and supervisory bodies or substantiated in another kind of form. ESRS 2 paragraph AR 5 provides further guidance in that respect.

EESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes

Question ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1

Release date

November 2024

Question asked

- (1) Is the ESRS 2 Disclosure Requirement GOV-3 on 'the proportion of variable remuneration dependent on sustainability-related targets and/or impacts' (ESRS 2 paragraph 29 (d)) calculated as a percentage of:
 - (a) variable remuneration;
 - (b) fixed remuneration; or
 - (c) total remuneration (fixed and variable)?
- (2) Is the percentage to be disclosed under ESRS E1 Disclosure requirement related to ESRS 2 GOV-3 *Integration of sustainability-related performance in incentive schemes* based on the same denominator as under question (1) above?

ESRS Reference

ESRS 2 paragraph 29 (d) and ESRS E1 paragraph 13

Key terms

Remuneration; annual total remuneration

Background

The question received, ‘[In the E1.GOV-3_02 requirement, could you please specify whether the required percentage of current remuneration related to sustainability shall be calculated: \(i\) as a percentage of variable remuneration, \(ii\) as a percentage of fixed remuneration or \(iii\) as a percentage of total remuneration \(fixed plus variable\)?](#)’, has been modified to the above question for clarity. The submitter provided the following answer to the question: ‘[Drawing a parallel between ESRS E1.GOV-3_02 and ESRS 2 GOV-3_05, I would assume that the percentage of current remuneration related to sustainability being asked shall be calculated as a percentage of variable remuneration.](#)’

ESRS 2 paragraph 29 states: ‘The undertaking shall disclose: ...

- (d) the **proportion of variable remuneration** dependent on sustainability-related targets and/or impacts ...’.

ESRS E1 paragraph 13 states: ‘The undertaking shall disclose ... the **percentage of remuneration** recognised in the current period that is linked to climate-related considerations ...’.

Annual total remuneration is defined in Annex II *Acronyms and Glossary of Terms*: ‘Annual total remuneration to own workforce includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year.’

Answer

- (1) Is the ESRS 1 Disclosure Requirement GOV-3 on ‘the proportion of variable remuneration dependent on sustainability-related targets and/or impacts’ (ESRS 2 paragraph 29(d)) calculated:
 - (a) as a percentage of variable remuneration;
 - (b) as a percentage of fixed remuneration; or
 - (c) as a percentage of total remuneration (fixed and variable)?

The ESRS 2 paragraph 29(d) metric shall be calculated as (a) a percentage of variable remuneration.

ESRS 2 paragraph 29(d) requires the ‘proportion of variable remuneration dependent on sustainability-related targets and/or impacts’ to be disclosed. According to this wording, the numerator is the proportion of the variable remuneration dependent on sustainability-related targets and/or impacts, and the denominator is the variable remuneration.

Though not explicitly stated in ESRS 2 Disclosure Requirement GOV-3 (paragraph 29(d)), it shall be assumed that remuneration is the amount recognised in the current period, i.e. the amount recognised as an expense (i.e. regardless of whether or not it is paid out) under the applicable accounting GAAP in the financial statements. This shall be done considering connectivity with financial statements in line with the elements listed in the definition of ‘annual total remuneration’ in Annex II and consistent with ESRS E1 paragraph 13, which explicitly refers to the ‘remuneration recognised’.

- (2) Is the percentage to be disclosed under ESRS E1 Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes based on the same denominator as under question (1) above?

No, it is not. The ESRS E1 paragraph 13 metric shall be calculated as a percentage of total remuneration.

ESRS E1 paragraph 13 requires the ‘percentage of remuneration recognised’ to be disclosed. The phrase used requires that the denominator be the remuneration recognised, i.e. the total of fixed and variable remuneration recognised, and that the numerator be the ‘remuneration recognised ... that is linked to climate-related considerations’.

To note: There is no reason why the term ‘remuneration’ as used in both ESRS 1 paragraph 29 and ESRS E1 paragraph 13 in respect of the administrative, management and supervisory bodies is not to be read as being consistent with the definition of ‘annual total remuneration’, as defined in Annex II *Acronyms and Glossary of Terms* in respect of own workforce.

ESRS 2 SBM-1 Strategy, business model and value chain

Question ID 39 – SBM-1 sector breakdown and phase-in

Release date

February 2024

Question asked

What are the ‘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 terms

Sector-breakdown

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.’

The Accounting Directive Article 29b(1) third subparagraph point (ii) of Directive 2013/34/EU states: ‘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

The ESRS Sectors will be defined in a future delegated act, following the issuance of a draft ESRS to be prepared by EFRAG.

As the European Commission has not adopted a delegated act specifying the list of ESRS sectors, undertakings are not required to disclose the information referred to in ESRS 2 paragraph 40 (b).

Question ID 293 - Relationship of strategy and policy

Release date

May 2024

Question asked

What is developed first: the strategy or the policy related to sustainability matters?

ESRS reference

ESRS 2 Disclosure Requirement SBM-1 and MDR-P of ESRS 2; Annex II Acronyms and Glossary of Terms definition of policies

Key terms

Strategy, policy

Background

ESRS 2 paragraph 38 states: ‘The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.’

ESRS 2 paragraph 63 states: ‘The undertaking shall apply the minimum disclosure requirements defined in this provision when it discloses the policies it has in place with regard to each sustainability matter identified as material.’

A policy according to the Annex II Acronyms and Glossary of Terms is ‘A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking’s strategy or management decisions related to a material sustainability matter.’

Answer

While ESRS set disclosure requirements, they do not prescribe behavioural obligations in respect to strategy and policies.

The development of a strategy or policy related to sustainability matters is determined by the undertaking's governance bodies.

Question ID 395 – Revenue/net revenue

Release date

July 2024

Question asked

What does net revenue mean? How is it calculated?

ESRS reference

All Disclosure Requirements require a breakdown of revenue or an intensity metric based on net revenue, for example, ESRS 2 Disclosure requirement SBM-1 *Strategy, business model and value chain* paragraph 40 (b); ESRS E1 Disclosure Requirement E1-5 *Energy consumption and mix* paragraph 40; ESRS E1 Disclosure Requirement E1-6 *Gross scopes 1,2,3 and Total GHG emissions* paragraph 53; and ESRS Disclosure requirement E3-4 *Water consumption* paragraph 29.

Key terms

Revenue, net revenue, net turnover

Background

ESRS use the terms 'revenue', 'total revenue' and 'net revenue' as synonyms. ESRS 2 refers to 'revenue' or 'total revenue' (see ESRS 2 Disclosure Requirement SBM-1 – *Strategy, business model and value chain*) whereas ESRS E1 and the other environmental ESRS refer mostly to 'net revenue'.

ESRS E1 paragraph AR 36 (e) states: 'When preparing the information on energy intensity required under paragraph 40, the undertaking shall calculate the net revenue in line with the accounting standards' requirements applicable for the financial statements, i.e., IFRS 15 *Revenue from Contracts with Customers* or local GAAP requirements.'

ESRS do not use the term 'net turnover' as used by the Accounting Directive (Directive 2013/34/EU Article 2 (5)) The Accounting Directive defines 'net turnover' as the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; however, for **insurance undertakings** referred to in point (a) of the first subparagraph of Article 1 (3) of this Directive, 'net turnover' shall be defined in accordance with Article 35 and point 2 of Article 66 of Council Directive 91/674/EEC; for **credit institutions** referred to in point (b) of the first subparagraph of Article 1 (3) of this Directive, 'net turnover' shall be defined in accordance with point (c) of Article 43 (2) of Council Directive 86/635/EEC; and for undertakings falling under the scope of Article 40a(1) of this Directive, 'net turnover' means the revenue as defined by or within the meaning of the financial reporting framework on the basis of which the financial statements of the undertaking are prepared'.

The Delegated Act (EU) 2021/2178 specifying Article 8 of the Taxonomy Directive related to environmental taxonomy disclosures also uses the term ‘net turnover’ (see the supporting material below).

Answer

The terms ‘revenue’, ‘total revenue’ and ‘net revenue’ are to be understood as the amounts presented in the income statement of the undertaking’s financial statements in accordance with the applicable legislation and/or accounting standards, i.e. IAS 1 paragraph 82 (a)² – if IFRS Standards are applied – or generally accepted national accounting principles (national GAAP).

See also [Question ID 482 – Breakdown of total revenue – financial institutions](#).

Supporting material

Delegated Act (EU) 2021/2178 supplementing Regulation (EU) 2020/852 specifying the content to be disclosed and its presentation by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU, concerning environmentally sustainable economic activities and specifying the methodology to comply with that disclosure obligation, Annex I paragraph 1.1.1 (Delegated Act specifying article 8 of the Taxonomy Directive), states: ‘... net turnover (denominator) as defined in Article 2, point (5), of Directive 2013/34/EU ... shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82 (a), as adopted by Commission Regulation (EC) 1126/20081.’

Question ID 482 – Breakdown of total revenue – financial institutions

Release date

May 2024

Question asked

1. How is the total revenue of a credit institution defined?
2. 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

² Or any future standard superseding IAS 1.

Background

The submitter asked the following question, which was amended as stated above to align it with 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 subsector does not exist, the caption “others” shall be used.’

ESRS do not use the term ‘net turnover’ as used by the Accounting Directive (Directive 2013/34/EU Article 2 (5)). The Accounting Directive defines ‘net turnover’ (Directive 2013/34/EU Article 2 (5)): ‘net turnover’ means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; however, for **insurance undertakings** referred to in point (a) of the first subparagraph of Article 1 (3) of this Directive, ‘net turnover’ shall be defined in accordance with Article 35 and point 2 of Article 66 of Council Directive 91/674/EEC; for **credit institutions** referred to in point (b) of the first subparagraph of Article 1 (3) of this Directive, ‘net turnover’ shall be defined in accordance with point (c) of Article 43 (2) of Council Directive 86/635/EEC; ...’

Council Directive 86/635/EEC of December 1991 on the annual accounts and consolidated accounts of banks and other financial institutions, Article 43 (2) point (c), states: ‘The information referred to in the first two indents of Article 9 (2) of Directive 83/349/EEC, namely ... [that] the net turnover shall be replaced by ... the sum of items ... B 1, B 2, B 3, B 4 and B 7 in Article 28 of this Directive.’

Council Directive 86/635/EEC Article 28 states:

‘B. *Income*

(a) Interest receivable and similar income, showing separately that arising from fixed-income securities

(b) Income from securities:

i. Income from shares and other variable-yield securities

ii. Income from participating interests

iii. Income from shares in affiliated undertakings

(c) Commissions receivable

(d) Net profit on financial operations

(a) (...)

(b) 7. Other operating income ...'

Answer

(1) How is total revenue of a credit institution defined?

Total revenue of a credit institution, according to ESRS 2 paragraph 40, is a proxy for 'net turnover' as defined in the Accounting Directive (Directive 2013/34/EU) Article 2 (5).

ESRS use the terms 'revenue', 'total revenue' and 'net revenue' as synonyms. ESRS 2 refers to 'revenue' or 'total revenue' (see ESRS 2 Disclosure Requirement SBM-1 – *Strategy, business model and value chain*) whereas ESRS E1 and the other environmental ESRS refer mostly to 'net revenue'. The three terms are referred to in ESRS in a more generic way as a proxy for 'net turnover' as defined by the Accounting Directive by considering the revenue as defined by the financial reporting framework applicable to the financial statements of the undertaking, acknowledging in whatever way possible revenues that are defined under the applicable GAAP.

(2) 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?

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 the sectors in which their clients operate.

See also [Question ID 395 Revenue / net revenue](#) and [Question ID 39 SBM-1 Sector breakdown and phase-in](#).

Question ID 644 – Limits of fossil fuel sector

Release date

November 2024

Question asked

Which activities are in the scope of the fossil fuel sector in paragraph 40 of ESRS 2?

- (1) Is the petrochemical sector included, like ethylene production? Many industrial sectors are using products derived from oil or Liquid Natural Gas (LNG) as an input in the production of a chemical product. Will they all be part of the fossil fuel sector? What are the limits?
- (2) Should an Engineering, Procurement and Construction contractor of an LNG plant include its Engineering, Procurement and Construction revenues under this caption?

ESRS Reference

ESRS 2 paragraph 40(d)(i)

Key terms

Fossil fuel

Background

The question asked: ‘What are the limits of the fossil fuel sector?

- (1) Is the petrochemical sector included, like ethylene production? Many industrial sectors are using products derived from oil or LNG as an input in the production of a chemical product. Will they all be part of the fossil fuel sector? What are the limits?
- (2) Should an Engineering, Procurement and Construction contractor of a Liquid Natural Gas plant include its Engineering, Procurement and Construction revenues under this caption?’

was reworded to the above question for clarity.

ESRS 2 paragraph 40 (d) states: ‘where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:

- (i) the fossil fuel (coal, oil and gas) sector, (i.e. it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council), including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178 ...’.

Annex II defines ‘fossil fuel’ as non-renewable carbon-based energy sources such as solid fuels, natural gas and oil. This definition corresponds to Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council.

Commission Delegated Regulation (EU) 2022/1288 defines ‘companies active in the fossil fuel sector’ as companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council.

Answer

Whether the undertaking is active in the fossil fuel sector is based on ESRS 2 paragraph 40 (d)(i). Fossil fuels are understood as non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.

- (1) Is the petrochemical sector included, like ethylene production? Many industrial sectors are using products derived from oil or LNG as an input in the production of a chemical product. Will they all be part of the fossil fuel sector? What are the limits?

The petrochemical activities, such as ethylene production, can be understood as a part of the fossil fuel sector provided that they fulfil the definition of (EU) 2022/1288, as for example the ethylene production that occurs in refinery cracker to produce gasoline. Ethylene production in a

cracker dedicated to producing ethylene and other petroleum gases as feedstocks for a chemical plant or chemical industrial park, where these serve as intermediates for producing polymers and industrial chemicals rather than being used as an energy source, would not be understood as a part of the fossil fuel sector so long as it does not fulfil the definition of (EU) 2022/1288.

(2) Should an Engineering, Procurement and Construction contractor of an LNG plant include its EPC revenues under this caption?

An EPC (Engineering, Procurement and Construction) contractor of an LNG plant providing services such as the ones described in NACE 71.12 ‘Engineering activities and related technical consultancy’ or NACE division 42 ‘Civil engineering’, which includes construction of industrial facilities, e.g. refineries, is considered active in fossil fuels sector provided that it derives any revenues from the activities described in the definition of (EU) 2022/1288.

Question ID 905 – Manufacture of chemicals/pesticides and other agrochemical products

Release date

November 2024

Question asked

There is a reference to Division 20.2 of Annex I to Regulation (EC) No 1893/2006 and I wonder whether you mean Division 20 Group 20.2, which is ‘Manufacture of pesticides and other agrochemical products’.

ESRS Reference

ESRS 2 paragraph 40(d)(ii)

Key terms

Pesticides; chemicals; agrochemical products

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 ...

- (a) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in ...
- (ii) chemicals production, i.e. activities that fall under the Division 20.2 of Annex I to Regulation (EC) No 1893/2006 ...’

Answer

Yes, the correct reference is to Division 20 Group 20.2 of Annex I to Regulation (EC) No 1893/2006, which is ‘Manufacture of pesticides and other agrochemical products’.

Supporting material

Regulation (EC) No 1893/2006

ESRS 2 SBM 3 Material impacts, risks and opportunities and their interaction with strategy and business model

Question ID 67 - ESRS 2 Disclosure Requirement SBM-3 vocabulary/grammar used

Release date

March 2024

Question asked

Can you provide a more detailed explanation on how the expression ‘as opposed to’ is to be interpreted in the context of the Disclosure Requirement SBM-3 of ESRS 2?

ESRS reference

ESRS 2 paragraph 48 (h)

Key terms

n/a

Background

According to ESRS 2 paragraph 48 (h), the undertaking shall disclose a specification of those impacts, risks and opportunities that are covered by ESRS Disclosure Requirements as opposed to those covered by the undertaking using additional entity-specific disclosures.

Answer

ESRS 1 chapter 1.1 describes the three categories of ESRS standards (i.e., cross-cutting, topical and sector-specific). ESRS 1 paragraph 11 explains the entity-specific disclosures that complement the disclosures laid out in these three categories of ESRS standards.

In addition, ESRS 1 paragraphs AR1 to AR5 provide further guidance on the requirements that entity-specific disclosures shall fulfil.

ESRS 2 paragraph 48 (h) requires undertakings to separately distinguish those material impacts, risks and opportunities whose disclosures follow the ESRS standards (i.e., standardised disclosures) from those that have been specifically designed by the undertaking according to the provision in ESRS 1 paragraph 11 and its related Application Requirements (i.e., entity-specific disclosures).

Question ID 935 – Financial effects – current versus anticipated

Release date

November 2024

Question asked

What is the difference between current financial effects in ESRS 2 paragraph 48 (d) and anticipated short-term effects in ESRS 2 paragraph 48 (e)?

ESRS Reference

ESRS 2 paragraph 48

Key terms

Financial effects; current financial effects; anticipated financial effects

Background

The submitter provided the following background for the question: ‘According to ESRS 1 Section 6.4 paragraph 77, the short-term time horizon is defined as the reporting period (which we interpret as the current reporting period), and the medium-term horizon starts after that reporting period up to five years. Is the next annual reporting period included in the short-term horizon as defined by ESRS 1.77.b, and is that then the definition of anticipated short-term effects, or is it included in the medium-term horizon? What would be the short-term anticipated effects in that case? (In the French translation, short-term time horizon is defined as the ‘période de référence’, which in paragraph 75 is the equivalent of the ‘base year’ – this adds to the confusion.)’

ESRS 2 paragraph 48 states: ‘The undertaking shall disclose ...

- (d) the current financial effects of the undertaking’s material risks and opportunities on its financial position, financial performance and cash flows **and** the material risks and opportunities for which there is a significant risk of a material **adjustment within the next annual reporting period** to the carrying amounts of assets and liabilities reported in the related financial statements; and
- (e) the anticipated financial effects of the undertaking’s material risks and opportunities on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This shall include how the undertaking expects its financial position, financial performance and cash flows to change over the short-, medium- and long-term, given its strategy to manage risks and opportunities, taking into consideration:
 - (i) its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation,

innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and

- (ii) its planned sources of funding to implement its strategy. ...’.

Annex II *Acronyms and Glossary of Terms* defines:

- (a) ‘financial effects’ as ‘Effects from risks and opportunities that affect the undertaking’s financial position, financial performance and cash flows over the short-, medium- or long-term’;
- (b) ‘current financial effects’ as ‘Financial effects for the current reporting period that are recognised in the primary financial statements’; and
- (c) ‘anticipated financial effects’ as ‘Financial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects’.

ESRS 1 Appendix C states in its phase-in provisions regarding ESRS 2 paragraph 48 (e), ‘The undertaking may omit the information prescribed by ESRS 2 SBM-3 paragraph 48 (e) (anticipated financial effects) for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS 2 SBM-3 paragraph 48 (e) by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.’

Answer

Current financial effects and anticipated financial effects are two different concepts.

Current financial effects are defined as ‘financial effects for the current reporting period that are recognised in the primary financial statements’. Anticipated financial effects are defined as ‘financial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects’. Anticipated financial effects includes the financial effects that are not ‘current financial effects’.

The distinguishing characteristic is whether the financial effect has already been recognised in the financial statements based on the recognition criteria for inclusion in the primary financial statements or not. Accordingly, the current financial effect has already been recognised at or before the reporting date, whereas the anticipated effect might occur thereafter, be it in the short-(within the reporting period, after the balance-sheet date), medium- or long-term.

For example, an impairment charge recognised in the current reporting period in accordance with IAS 36 Impairment of assets is a current financial effect whereas a disclosure in accordance with IAS 36 paragraph 134 (f), requiring the disclosure of a potential impairment based on a ‘reasonable possible change in key assumptions’, is an anticipated financial effect.

The second part of ESRS 2 paragraph 48 (d) (second datapoint) requires the disclosure of ‘... the material risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements’. This datapoint does not qualify as current financial effects but as anticipated financial effects for which there is a significant risk of a material adjustment within the next annual reporting period.

In this sense, there is an overlap as the datapoint ‘adjustment within the next annual reporting period’ is also part of the anticipated financial effects to be reported under ESRS 2 paragraph 48 (e).

The undertaking may incorporate disclosures using cross-references to the respective parts in the financial statements to avoid repetitions. As a reminder in the context of financial effects, undertakings shall include in their sustainability statement, based on thresholds of materiality, references to the financial statements for monetary amounts or other quantitative data (see ESRS 1 paragraphs 124 and 125) – respectively, for significant data, assumptions, and qualitative information (see ESRS 1 paragraphs 126 to 128 and Chapter 9.2 *Connected information and connectivity with financial statements*). Incorporation by reference may be considered (see ESRS 1 Chapter 9.1 *Incorporation by reference*).

ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities

Question ID 517 – Disclosure of thresholds

Release date

May 2024

Question asked

- (1) How is threshold-setting to be documented?
- (2) How is one to disclose on 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

ESRS 2 paragraph 59 (IRO-2) and 53 (c) ii (IRO-1)

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 the sake of clarity into the question above.

ESRS 2 paragraph 53 (b) and (c) 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 risks 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 is threshold-setting to be documented?

ESRS do not set behavioural requirements. As explained in *IG 1 Materiality Assessment 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 need to be produced. This will probably be used for internal control purposes and requested by the assurance providers of the undertaking’s sustainability statement.

(2) How is one to disclose on 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 required in all circumstances. ESRS 2 requires 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 ... risks 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 paragraphs 54 to 57 of ESRS 1.

ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement

Question ID 335 - Applicability of EU data points – Appendix B

Release date

May 2024

Question asked

Are ESRS 2 Appendix B datapoints (other EU legislation) applicable for all undertakings or for financial institutions only?

ESRS reference

ESRS 2 Appendix B; ESRS 1 chapter 10.2, paragraphs 35 and 133

Key terms

ESRS 2 Appendix B (other EU legislation); EU data-points

Background

The question initially received by EFRAG from the submitter was referring to ESRS 1 chapter 10.2 paragraph 133 and read as follows: ‘What is the rationale for making the exception to the transitional provision for datapoints that have their origin in certain EU legislation (Appendix B of ESRS 2) applying to a very specific set of companies (e.g., financial institutions)? Why not make a separate list of datapoint exceptions with an explanation of why these datapoints are an exception?’ As similar questions related to ‘other EU legislation datapoints’ have been received by EFRAG, the question answered in this explanation was modified to be more generally applicable as stated above.

ESRS 1 paragraph 133 states: ‘For the first 3 years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain and in order to limit the burden for SMEs in the value chain: ...

- (b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.’

ESRS 2 Appendix B includes the list of datapoints in cross-cutting and topical standards that derive from other EU legislation. These datapoints provide information from all undertakings subject to ESRS for financial institutions to support them in financing the transition according to the ‘green deal.’

ESRS 1 paragraph 35 states: ‘If the undertaking omits the information prescribed by a datapoint that derives from other EU legislation listed in Appendix B of ESRS 2, it shall explicitly state that the information in question is “not material”.

ESRS 2 paragraph 56 states: ‘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

Yes, ESRS 2 Appendix B datapoints (other EU legislation) are applicable for all undertakings in the scope of the CSRD/ESRS.

ESRS do not specify that datapoints listed in Appendix B of ESRS 2 are exclusively applicable to undertakings in specific sectors, such as financial institutions. This is because these datapoints provide information from all ESRS-reporters enabling financial institutions to meet their obligations under the SFDR, thereby assisting them in financing the transition in alignment with the EU Green Deal, as they are designed to support the availability of information regarding their investees and clients.

Datapoints that derive from other EU legislation listed in Appendix B of ESRS 2 must be provided irrespective of the materiality assessment if the corresponding requirement is in ESRS 2 (e.g., ESRS 2 Disclosure Requirement GOV-1, Board gender diversity). If the corresponding requirement is in the topical standards, they are subject to the materiality assessment.

In all cases, the undertaking should publish a table containing all the information required by other EU legislations, specifying the page of the sustainability statement where this information is located or indicating ‘not material’ if the company has deemed it as such, as required by ESRS 2 Disclosure Requirement IRO-2.

Question ID 628 – Content index

Release date

May 2024

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 formatted more narratively in the management reports such as in the TCFD’s?

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) 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**;
- (b) a table of all the datapoints that derive from other EU legislation as listed in ESRS 2 Appendix B, indicating where they can be found in the sustainability statement and 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 or for the content index. To structure the sustainability statement, inspiration can be drawn from the digital ESRS XBRL Taxonomy.

ESRS 2 Minimum Disclosure Requirement – Actions MDR-A – Actions and resources in relation to material sustainability matters

Question ID 1056 – MDR-Actions and resources allocated

Release date

November 2024

Question asked

What does ‘resources allocated’ refer to specifically in each ESRS? Does it require at a minimum the disclosure of which departments or specific teams are in charge and/or the total budget allocated for that specific topic?

ESRS Reference

ESRS 2 paragraphs 66, 69 and AR 23; ESRS E1 paragraphs 26, 28, 29 and AR 20 to 22; ESRS E2 paragraphs 16, 18, 19 and AR 14; ESRS E3 paragraphs 15, 17 to 19 and AR 21; ESRS E4 paragraphs 25, 27 and AR 18; ESRS E5 paragraphs 17 and 19; ESRS S1 paragraphs 37, 43 and AR 48; ESRS S2 paragraphs 31, 38 and AR 44; ESRS S3 paragraphs 31, 38 and AR 43; ESRS S4 paragraphs 30, 37 and AR 41

Key terms

MDR-Actions; resources allocated

Background

ESRS 2 paragraph 66 states: ‘The undertaking shall apply the requirements for the content of disclosures in this provision when it describes the actions through which it manages each material sustainability matter, including action plans and **resources allocated** and/or planned.’

ESRS 2 paragraph 69 states: ‘Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex), the undertaking shall:

- (a) describe the type of current and future financial and other **resources allocated** to the action plan, including, if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g. granting of financial support or public policy and market developments;
- (b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and
- (c) provide the amount of future financial resources.’

ESRS 2 paragraph AR 23 states: ‘Information on **resource allocation** may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and the planned allocation of resources over specific time horizons.’

ESRS S1-S4 (e.g. ESRS S1 paragraph AR 48) state: ‘When disclosing the resources allocated to the management of material impacts, the undertaking may explain which internal functions are involved in managing the impacts and what types of action they take to address negative and advance positive impacts.’

Because ESRS E1-E5, S1-S4 have numerous other references to ‘resources allocated’ when requiring disclosures, they are not replicated in this background section (see the ESRS reference section).

Annex II *Acronyms and Glossary of Terms* defines ‘marine resources’ and ‘natural resources’.

Answer

The amount of current and future financial resources shall be disclosed where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex). The ‘departments or specific teams in charge’, on the other hand, may be disclosed.

The ESRS 2 Minimum Disclosure Requirements (MDR) on actions and resources (ESRS 2 paragraphs 66 to 69) are to be applied together with the Disclosure Requirements, including the Application Requirements, provided in the relevant topical ESRS.

The term '**resources allocated**' is not specifically defined in ESRS. Based on ESRS 2 paragraph 69, '**resources allocated**' relates to significant Opex and Capex in terms of '**financial and other resources**'. Again, whilst '**other resources**' is not defined, it can still be assumed that human resources are one major element of '**other resources**'.

The term '**total budget allocated**' is not used in ESRS. However, the amount of current and future financial resources shall be disclosed by the undertaking in accordance with ESRS 2 paragraph 69 (b) and (c) when the implementation of an action plan requires significant Opex and/or Capex.

The undertaking may disclose the internal functions involved in managing material impacts in accordance with ESRS S1-S4 (e.g. ESRS S1 paragraph AR 48); this might include the '**departments or specific teams in charge**' when disclosing resources allocated to the management of material impacts. There is no equivalent voluntary Disclosure Requirement in ESRS E1 to E5.

To note: regarding Minimum Disclosure Requirements on policies (ESRS 2 paragraph 65), '**The undertaking shall disclose information about policies adopted to manage material sustainability matters**. This information shall include:

- (a) the **most senior level in the undertaking's organisation** that is accountable for the implementation of a policy ...'.

ESRS 2 Minimum Disclosure Requirement – Metrics MDR-M – Metrics in relation to material sustainability matters

Question ID 968 – Ecolabel

Release date

November 2024

Question asked

If a company's metric is verified by an [EU] Ecolabel, can the [EU] Ecolabel be mentioned as an external body?

ESRS Reference

ESRS 2 paragraph 77(b)

Key terms

Ecolabel; external body

Background

For information on the 'EU Ecolabel', please visit the EU Ecolabel site.

ESRS 2 paragraph 77 states: 'For each metric, the undertaking shall: ...

- (a) disclose whether the measurement of the metric is validated by an external body other than the assurance provider and, if so, which body ...’.

Answer

Yes, if a company’s metric is verified by an EU Ecolabel, and assuming that the Ecolabel is not an internal body of the undertaking, the Ecolabel can be mentioned as an external body.

According to ESRS 2 paragraph 77 (b), the undertaking is required to disclose whether the measurement of the metric is validated by an external body other than the assurance provider and to specify which body.

ESRS 2 Minimum Disclosure Requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets

Question ID 1136 – Targets without policy

Release date

November 2024

Question asked

Is MDR-Policy a prerequisite for MDR-Target?

ESRS Reference

Definition of ‘targets’ and ‘policies’ in Annex II *Acronyms and Glossary of Terms*; ESRS 2 paragraphs 78 to 80

Key terms

Targets; policies

Background

Annex II *Acronyms and Glossary of Terms* defines ‘targets’ as: ‘Measurable, outcome-oriented and time-bound goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities. They may be set voluntarily by the undertaking or derive from legal requirements on the undertaking.’

Annex II *Acronyms and Glossary of Terms* defines ‘policies’ as: ‘A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking’s strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is validated and reviewed following the undertakings’ applicable governance rules. A policy is implemented through actions or action plans.’

ESRS 2 paragraphs 78 to 80 state:

- ‘78. The undertaking shall apply the requirements for the content of disclosures in this provision when it discloses information about the targets it has set with regard to each material sustainability matter.
- 79. The objective of this Minimum Disclosure Requirement is to provide for each material sustainability matter an understanding of:
 - (a) whether and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities, including the metrics it uses to do so;
 - (b) measurable time-bound outcome-oriented targets set by the undertaking to meet the policy’s objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;
 - (c) the overall progress towards the adopted targets over time;
 - (d) in the case that the undertaking has not set measurable time-bound outcome-oriented targets, whether and how it nevertheless tracks the effectiveness of its actions to address material impacts, risks and opportunities and measures the progress in achieving its policy objectives; and
 - (e) whether and how stakeholders have been involved in target setting for each material sustainability matter.
- 80. The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information ...’.

Answer

The Minimum Disclosure Requirement – Policies MDR-P of ESRS 2 Chapter 4.2 is not a prerequisite for the Minimum Disclosure Requirement – Targets of ESRS 2 Chapter 5.

ESRS stipulate disclosures but do not prescribe behaviour. Therefore, they do not prescribe for each target set, which the undertaking also has a policy in place for how to reach. Accordingly, an undertaking might have a target without establishing a policy on how to get there. However, this may not be efficient: while a target can be set without a policy, there is no clear management principle, rule or guidance on how to achieve it, making it unlikely to be met.

If the undertaking has a target without a related policy, the description of the relationship of the target to the policy objectives as required by ESRS 2 paragraph 80 (a) shall make that clear.

To note: Minimum Disclosure Requirements – Actions MDR-A – Actions and resources in relation to material sustainability matters also mentions the situation when actions are implemented without a specific policy (see ESRS 2 paragraph 68).

Questions related to Environment

ESRS E1 Climate change

[ESRS E1 Climate change](#)

ESRS E1 Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability related performance in incentive schemes

Question ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1

[Question ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1](#)

ESRS E1 Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities

Question ID 350 – Gross risk

Release date

May 2024

Question asked

ESRS E1 paragraph 20 b(ii) and 20 c(ii) make reference to ‘Gross’ risk, yet ‘Gross Risk’ (or comparable terms) is not included in the ESRS Glossary (i.e., is not clearly defined). Is it correct to say that climate risk and scenario analysis/assessments processes should be done on an inherent/gross (i.e., pre-control/mitigation strategy) risk (not a residual/net risk post-control/mitigation) basis?

ESRS reference

ESRS E1 paragraphs 20 b(ii), and 20 c(ii)

Key Terms

Gross risk; physical risk; transition risk

Background

ESRS E1 paragraph 20 b(ii) states: ‘The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include its process in relation to: ...

- (a) climate-related physical risks in own operations and along the upstream and downstream value chain, in particular: ...
 - ii. the assessment of how its assets and business activities may be exposed and are sensitive to these climate-related hazards, creating **gross physical risks** for the undertaking; ...
- (c) climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain, in particular: ...
 - ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating **gross transition risks** or opportunities for the undertaking.'

ESRS 2 Disclosure Requirement IRO-1 details the processes to identify and assess climate-related impacts, risks and opportunities. It requires the assessment of gross material risks. This process allows to respond to ESRS 2 Disclosure Requirement SBM-3, which introduces the description of business resilience in relation to climate change. The actions and resources to mitigate material risks will lead to residual net risks. The climate risk and scenario analysis/assessments processes should be done on a gross basis.

Answer

As stated in ESRS E1 paragraph 20, the undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This assessment refers to gross physical and transition risks. Gross risks means that the undertaking should not consider the effects of the actions and resources to mitigate the material risk when assessing it.

When disclosing the information required under ESRS E1 paragraphs 20 (b) and 20 (c), the undertaking shall explain how it has used climate-related scenario analysis, including a range of climate scenarios, to inform the identification and assessment of physical risks and transition risks and opportunities over the short-, medium- and long-term.

The assessment of material climate-related impacts, risks and opportunities is performed looking at the gross risk, i.e., before any mitigating actions. The same applies to scenario analysis when it is used to support the identification and materiality assessment of impacts, risks and opportunities.

When disclosing according to ESRS E1 paragraphs 20 b(ii) and c(ii), consideration should be given to ESRS 1 paragraph 31 that relevant information is disclosed only on the material risks.

See also [IG 1 Materiality Assessment – FAQ 23: Are remediation and mitigation actions considered in the materiality assessment of environmental impacts?](#) for further explanation.

ESRS E1-4 Targets related to climate change mitigation and adaptation

Question ID 206 - Climate-related targets

Release date

March 2024

Question asked

Is it an absolute requirement in paragraph 30 that 90-95% of GHG emission reduction needs to be performed before giving the option to work with GHG Removals?

Key Terms

GHG removal, GHG emission reduction

ESRS reference

ESRS E1 paragraphs 30, 34 and 60; Annex II Acronyms and Glossary of Terms: GHG removal and storage, and Carbon credit

Background

ESRS E1 Disclosure Requirement E1-4 refers to ‘Targets related to climate change mitigation and adaptation’.

ESRS E1 paragraph 34 (b) states: ‘GHG emission reduction targets shall be disclosed for **Scope 1, 2, and 3 GHG emissions**, either separately or combined. The undertaking shall specify, in case of combined **GHG emission reduction targets**, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, **carbon credits** or avoided emissions as a means of achieving the GHG emission reduction targets;’

ESRS E1 paragraph 60 states: ‘In the case where the undertaking discloses a **net-zero target** in addition to the gross **GHG emission reduction targets** in accordance with Disclosure Requirement E1-4, paragraph 30, it shall explain the scope, methodologies and frameworks applied and how the residual **GHG emissions** (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.’

Annex II Acronyms and Glossary of Terms: ‘GHG removal and storage – (anthropogenic) removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological anthropogenic sinks of CO₂ and using chemical engineering to achieve long-term removal and storage. Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO₂ from the atmosphere, can remove atmospheric CO₂ if combined with bioenergy production (Bioenergy with Carbon Capture & Storage – BECCS). Removals can be subject to reversals, which are movements of stored GHG out of the intended storage that re-enter the atmosphere. For example, if a forest that was grown to remove a specific amount of CO₂ is subject to a wildfire, the emissions captured in the trees are reversed.’

Annex II Acronyms and Glossary of Terms: ‘Carbon credit – A transferable or tradable instrument that represents one metric tonne of CO₂eq emission reduction or removal issued and verified according to recognised quality standards.’

Answer

ESRS E1 does not mandate undertakings to work, or prevent them from working, with GHG removals. While the (extent of) use of carbon removals remains the undertaking's decision, ESRS E1 aims at ensuring transparency. It requires to differentiate between:

- (a) the established GHG emissions reduction targets (that shall not include carbon removals per ESRS E1 Disclosure Requirement E1-4);
- (b) targets related to net-zero (ESRS E1 Disclosure Requirement E1-7 paragraph 60, which requires GHG emission reductions of approximately 90-95%); and
- (c) the climate neutrality claims involving carbon credits (ESRS E1 Disclosure Requirement E1-7 paragraph 61).

Undertakings can work with GHG removals before achieving 90-95% GHG emission reductions near the point of net-zero. If they claim to have set a net-zero target, however, they need to explain how they expect to neutralise the outstanding residual emissions after a 90-95% of GHG emissions reduction has been achieved.

Question ID 531 – Base year

Release date

November 2024

Question asked

If the company has an intensity-emission-reduction target already set with a different base year than the ESRS recommend (e.g. 2021) but no absolute target yet, is it okay to use the same base year as for the intensity target although it does not follow the ESRS recommendation?

Reference

ESRS E1 paragraph 34(c)(d) and AR 25

Key terms

Base year; intensity-emission target

Background

ESRS E1 paragraph 34 states: 'If the undertaking has set GHG emission reduction targets, ESRS 2 MDR-T and the following requirements shall apply: ...

- (c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard;
- (d) GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every five-year period thereafter ...'

ESRS E1 paragraph AR 25 states: ‘When disclosing the information required under paragraph 34(c) on base year and baseline value: ...

- (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking shall explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new targets, the undertaking shall select a recent base year that does not precede the first reporting year of the new target period by longer than 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025 ...’

Answer

The following situations might arise.

(a) The undertaking has no target.

ESRS E1 paragraph AR 25 (b) does not set a recommendation but a methodological (application) requirement to set a new target for the base year ‘... that does not precede the first reporting year of the new target period by longer than three years.’ In other words, the base year must be one of the last three years in which the undertaking has reliably measured its GHG emissions while undertaking decarbonization actions.

GHG emission reduction targets shall at least include target values for the year 2030 (ESRS E1 paragraph 34 (d)). For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025. In accordance with ESRS E1 paragraph AR 25, to set a target with a baseline figure in 2021, the target would have to cover the period of 2024 to 2030, with 2024 being the first year for reporting on the new target.

For undertakings with a reduction plan in progress at the time the CSRD comes into force, there is no need to modify the targets if they meet the requirement of ESRS E1. The plans will be revised and aligned with 2023 (reporting year) once the reduction period is over.

(b) The undertaking already has a target.

If an undertaking already has GHG emission reduction targets in place which have been publicly disclosed, these should not be updated for the purposes of CSRD requirements. The target level and base year can remain unchanged until the target is required to be updated, e.g. due to significant changes in scope or after 2030. Information on these targets should be reported in line with CSRD requirements. For its GHG emission reduction target, the undertaking shall disclose in absolute value the GHG emission reduction target and its current target base year and target baseline value. If an undertaking’s pre-existing targets are intensity targets, the CSRD requirements do not require a new absolute target to be set. Rather, they require for each intensity target an associated absolute target value to be disclosed. This associated absolute value would be based on the intensity target reduction specified for the pre-existing target.

(c) Case of early achievement.

If an undertaking achieves its target (past target period) earlier than expected, the base year may be older provided that this old base year meets the ESRS E1-4 requirements.

This question will also be covered in the Implementation Guidance *Transition plan* being developed by EFRAG.

Question ID 734 – Disclosure of progress in meeting climate-related targets

Release date

November 2024

Question asked

Is the understanding correct that undertakings can add the amount of emissions reduced before their new base year to the actual emissions of the new base year and therefore suggest that the past emissions have not been realised?

ESRS reference

ESRS E1 paragraphs 34 (c) and AR 25 (d)

Key terms

Climate-related targets, progress

Background

ESRS E1 paragraph 34 states: ‘If the undertaking has set GHG emission reduction targets, ESRS 2 MDR-T and the following requirements shall apply ...

- (c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard ...’.

ESRS E1 paragraph AR 25 states: ‘When disclosing the information required under paragraph 34(c) on base year and baseline value: ...

- (d) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year. In doing so, the undertaking shall, to the greatest extent possible, ensure that the information on past progress is consistent with the requirements of this Standard. In the case of methodological differences, for example, regarding target boundaries, the undertaking shall provide a brief explanation for these differences.’

Answer

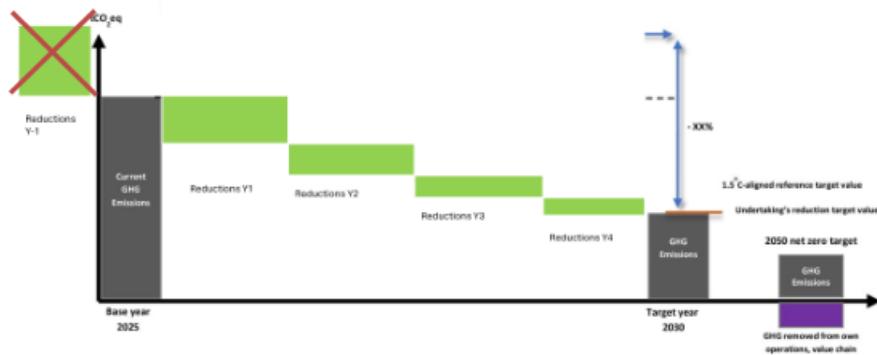
No, an undertaking cannot add the amount of emissions reduced before its new base year to the actual emissions of the new base year and therefore suggest that the past emissions have not been realised.

While undertakings may disclose the progress done in meeting these targets before their current base year, when doing it undertakings may disclose quantitative and qualitative information, e.g. disclosure of the amount of the emissions reduced, an explanation in case of methodological differences, an explanation of the alignment with the requirements of the E1 Standard, etc.

However, it is not allowed to add previous emission reductions achieved to the new base year emissions, which shall be the ones effectively disclosed under the ESRS for the new base year (with no additions or subtractions).

It is important to note that, even if an undertaking cannot add the amount of emissions reduced before its new base year, this reduction might have an impact on the future targets set by the undertaking as it is linked to the sector emission reduction path.

For example, assuming that the current (new) base year is 2025, the amount of reductions in Y-1 (i.e. 2024) cannot be added to the 2025 base year as displayed in the following table.



ESRS E1-5 Energy consumption and mix

Question ID 36 - Energy mix

Release date

February 2024

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 Disclosure Requirement E1-5, ESRS E1 paragraphs AR 34 - 35

Key terms

Energy consumption; nuclear sources

Background

ESRS E1 paragraphs 35 to 37 state:

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

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. 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; and
- (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. ...'

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 37 (b) requires the disclosure of total energy consumption from nuclear sources.

ESRS E1 paragraph 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 that can be and are frequently derived from nuclear sources.

An undertaking disclosing on the basis of ESRS 1 paragraph 35 should thus report the 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 portions originate 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 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.

Question ID 338 – Activities in high-climate impact sectors

Release date

July 2024

Question asked

How should the sentence 'associated with activities in high-impact sectors' be understood? Does it exclusively refer to the sectors in which the reporting undertaking itself operates?

ESRS reference

ESRS E1 paragraphs 38, 40 and AR 36 (c); ESRS 2 paragraphs 40 (b), 40 (c) and AR 13

Key terms

Impact sectors

Background

ESRS E1 mentions the Commission Delegated Regulation (EU) 2022/1288 Annex I(9) when referring to the definition of 'high-climate sectors'.

According to Commission Delegated Regulation (EU) 2022/1288 Annex I(9), 'high-impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

ESRS E1 paragraph 38 states that the undertaking with operations in high-climate impact sectors shall further disaggregate their total energy consumption from fossil sources by:

- (a) fuel consumption from coal and coal products;
- (b) fuel consumption from crude oil and petroleum products;
- (c) fuel consumption from natural gas;
- (d) fuel consumption from other fossil sources; and
- (e) consumption of purchased or acquired electricity, heat, steam or cooling from fossil sources.

ESRS E1 paragraph 40 states that the undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high-climate impact sectors.

ESRS E1 paragraph AR 36 (a) provides the calculation formula in which total energy consumption from activities in high-climate impact sectors is in a numerator while net revenue from activities in high-climate impact sectors is in a denominator. Moreover, point (c) of this AR clarifies that the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that are attributable to activities in high-climate impact sectors. Finally, this point provides that, in effect, there should be consistency in the scope of both the numerator and denominator.

Answer

According to Commission Delegated Regulation (EU) 2022/1288 Annex I(9), high-climate impact sectors are those listed in NACE Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council. The list of targeted sections is the following.

Section A: Agriculture, forestry and fishing (NACE division 01-03)

Section B: Mining and quarrying (NACE division 05-09)

Section C: Manufacturing (NACE division 10-33)

- Section D: Electricity, gas, steam and air conditioning supply (NACE division 35)
- Section E: Water supply; Sewerage, waste management and remediation activities (NACE division 36-39)
- Section F: Construction (NACE division 41-43)
- Section G: Wholesale and retail trade; Repair of motor vehicles and motorcycles (NACE division 45-47)
- Section H: Transportation and storage (NACE division 49-53)
- Section L: Real estate activities (NACE division 68)

It is important to note that the high-climate impact sectors are determined at the NACE code activity level (linked to the undertaking's own operations) and not by the undertaking's (ESRS) sector(s) of activity (as defined in ESRS 2 paragraph 40 (b)(c) and AR 13).

Question ID 893 – Conversion factor fossil fuels

Release date

November 2024

Question asked

Which indicators are to be used to convert fossil fuels to kWh (gasoline, diesel, natural gas)?

ESRS reference

ESRS E1 paragraph AR 32

Key terms

Conversion factors; fossil fuels

Background

The submitter also asked about the 'conversion of air conditioning refrigerants to kWh.' As there is no need to convert air conditioning refrigerants into energy units, this question is not addressed.

ESRS E1 paragraph AR 32 states: 'When preparing the information on energy consumption required under paragraph 35, the undertaking shall: ...

- (d) ensure all quantitative energy-related information is reported in either Mega-Watthours (MWh) in Lower Heating Value or net calorific value. If raw data of energy-related information is only available in energy units other than MWh (such as Giga Joules (GJ) or British Thermal Units (btu)), in volume units (such as cubic feet or gallons) or in mass units (such as kilograms or pounds), they shall be converted to MWh using suitable conversion factors (see, for example, [Annex II of the Fifth Assessment IPCC](#))

[report](#)). Conversion factors for fuels shall be made transparent and applied in a consistent manner ...’.

Answer

Conversion factors for the energy content of fuels (so-called ‘heating’ or ‘calorific values’) need to be used when preparing information on energy consumption. Heating values can be direct or indirect data, originate from multiple sources, and be expressed in different ways (e.g. energy per weight or energy per volume).

Direct data on heating values will result from the analysis of the heat content of fuels used and from which a conversion factor is derived. This is typically done by very large energy consumers (and emitters) who need to know well the fuels they use, for example, power production from fossil fuels.

Indirect data on heating values can comprise, for example, data from fuel suppliers, national statistics data or engineering/technical factors representing usually accepted average figures for each fuel type, often reported as ranges (e.g. biodiesel 39–41 MJ/kg).

Common sources of indirect data for heating values are:

- (a) 2006 IPCC Guidelines for National Greenhouse Gas Inventories (Table 1.2, page 1.18), also used as a reference for Annex VI of the EU ETS Monitoring and reporting regulation;
- (b) the UN Energy Statistics Yearbook, which provides statistical series of Heating values for different fuels and countries (see the supplement to the 2021 Energy Statistics Database);
- (c) GHG national inventories reports (NIR) submitted to the UNFCCC; and publications from energy statistics by the national statistics or energy authorities.
- (d) It is important to note that calorific value changes across jurisdictions.

Question ID 1126 – Heating values and geographical location of undertaking

Release date

November 2024

Question asked

What are the CSRD requirements regarding heating values (Lower Heating Value (LHV) versus Higher Heating value (HHV)), and do they differ based on the location of the preparer?

ESRS Reference

ESRS E1 paragraph AR 32

Key terms

Heating values; location; energy consumption

Background

ESRS E1 paragraph AR 32 states that ‘when preparing the information on energy consumption required under paragraph 35, the undertaking shall:

- (a) only report energy consumed from processes owned or controlled by the undertaking applying the same perimeter applied for reporting GHG Scopes 1 and 2 emissions;
- (b) exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures;
- (c) ensure all quantitative energy-related information is reported in either Mega-Watt-hours (MWh) in Lower Heating Value or net calorific value. If raw data of energy-related information is only available in energy units other than MWh (such as Giga-Joules (GJ) or British Thermal Units (Btu)), in volume units (such as cubic feet or gallons) or in mass units (such as kilograms or pounds), they shall be converted to MWh using suitable conversion factors (see for example Annex II of the Fifth Assessment IPCC report). Conversion factors for fuels shall be made transparent and applied in a consistent manner’.

For further guidance on Heating Values, see the content below.

‘Most fuels are mixtures of carbon and hydrogen and these are the main heating agents. There may be other elements which do not contribute, or contribute only slightly, to the calorific value of the fuel. Both the carbon and the hydrogen combine with oxygen during combustion and the reactions provide the heat. When the hydrogen combines with oxygen, it forms water in a gaseous or vapour state at the high temperature of the combustion. The water is therefore almost always carried away with the other products of combustion in the exhaust gases from the apparatus in which the combustion takes place (boiler, engine, furnace, etc.).

When the exhaust gases cool, the water will condense into a liquid state and release heat known as latent heat, which is wasted in the atmosphere. The heating value of a fuel may, therefore, be expressed as a gross value or a net value. The gross value includes all of the heat released from the fuel, including any carried away in the water formed during combustion. The net value excludes the latent heat of the water formed during combustion. It is important when obtaining a calorific value to check whether it is net or gross. The differences between net and gross are typically about 5% to 6% of the gross value for solid and liquid fuels and about 10% for natural gas.

There are a few fuels which contain no, or very little, hydrogen (for example blastfurnace gas, high-temperature cokes and some petroleum cokes). In these cases, there will be negligible differences between net and gross calorific values.

The derivation of net calorific values for solid fuels is further complicated because they often contain water trapped within the fuel in addition to the water which will be formed from the hydrogen they contain. The reduction in net calorific value as a result of the additional water is uncertain because the dampness of the fuel may vary according to weather and storage conditions.

In summary, the net calorific value of a fuel is the total heat produced by burning it minus the heat needed to evaporate the water present in the fuel or produced during its combustion. Major users of solid fuels, such as power stations, should be able to provide net calorific values based on the monitoring of the electricity generation' (Source: IEA (2004), [Energy Statistics Manual, IEA](#), Paris, Licence: CC BY 4.0)

There are multiple sources of conversion expressions between HHV and LHV depending on the fuels (coal, NG, biomass, etc.), which can also vary in origin and treatment of fuels in each region. Undertakings are advised to search for appropriate conversion expressions for their particular circumstances.

Answer

According to the ESRS E1 paragraph AR 32, the undertaking is required to disclose quantitative energy-related information in Mega-Watt-hours (MWh) in Lower Heating Value (LHV) (or net calorific value, NCV).

Undertakings that typically use Higher Heating Values (HHVs) (e.g. in certain locations, for certain technologies and/or based on conventions related to energy carriers) must disclose using LHV or net calorific value to comply with the ESRS, which may imply using fuel specific conversion formulas between HHV and LHV.

Note: The LHV (or NCV) of a fuel is the total heat produced by burning it minus the heat needed to evaporate the water present in the fuel or produced during its combustion (see more information on heating values in the background).

ESRS E1-6 Gross scopes 1, 2, 3 and total GHG emissionsQuestion ID 81 - Subsidiaries and holding company – alignment for GHG protocol

Release date

February 2024

Question asked

Should all the subsidiaries and the parent company in a consolidated sustainability statement use the same criteria and methodology for GHG emissions?

ESRS reference

ESRS 1 Appendix B *Qualitative characteristics of information*; ESRS 2 paragraph 77 (a); ESRS E1 paragraphs 50, AR 39 (b), AR 42, and AR 46 (h).

Key terms

GHG protocol; holding companies; alignment in methodology

Background

The original question submitted: ‘Should the companies of a holding company use the same criteria and methodology for GHG emissions?’ has been reworded to the above question to be clearer.

ESRS 1 Appendix B, qualitative characteristics of information shall be applied in the preparation of the ESRS sustainability statement.

ESRS 2 paragraph 77 (a) states: ‘disclose the methodologies and significant assumptions behind the metric, including the limitations of the methodologies used;’. 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 accompanied by the reasons why they were chosen, and provide a reference or link to any calculation tools used.’ Moreover, ESRS E1 paragraph AR46 (h), on Scope 3 emissions, requires clarity on the boundaries considered and the methods used for estimating emissions: ‘for each significant Scope 3 GHG category, disclose the reporting boundaries considered, the calculation methods for estimating the GHG emissions as well as if and which calculation tools were applied. The Scope 3 categories should be consistent with the GHGP and include:

- (a) indirect Scope 3 GHG emissions from the consolidated accounting group (the parent and its subsidiaries),
- (b) indirect Scope 3 GHG emissions from associates, joint ventures, and unconsolidated subsidiaries for which the undertaking has the ability to control the operational activities and relationships (i.e., operational control),
- (c) Scope 1, 2 and 3 GHG emissions from associates, joint ventures, unconsolidated subsidiaries (investment entities) and joint arrangements for which the undertaking does not have ***operational control*** and when these entities are part of the undertaking’s upstream and downstream value chain.’

All these requirements point to the advantages of using a uniform approach for ease of understanding and transparency.

Answer

All subsidiaries and their parent undertaking shall apply the requirements of ESRS, including the qualitative characteristics of information in ESRS 1 Appendix B. The GHG Protocol is the reference for the calculation of GHG emissions following ESRS E1. The sustainability statement shall include the methodology and the significant assumptions made by the parent and subsidiaries regarding GHG emissions, as stated in ESRS E1 paragraph AR 39.

ESRS does not exclude flexibility in the methodologies used by different undertakings in the same group, provided that the qualitative characteristics of information are met.

A standardised approach from the onset is advantageous for its consistency, comparability, transparency and the overall integrity of reported GHG emissions.

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).

Question ID 43 - Scope 3 GHG emissions for insurance companies

Release date

February 2024

Question asked

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

ESRS reference

ESRS 1 chapter 3.2 *Material matters and material information*; ESRS E1 Disclosure Requirement E1-6 – *Gross Scopes 1, 2, 3 and Total GHG emissions* and related AR;

Key terms

Materiality assessment, materiality, relevance; scope 3 GHG emissions, insurance companies, financial investment

Background

The determination of which 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 1 paragraph 31, which states that ‘The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an 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 that 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 with ESRS E1 AR39 (a), the principles, requirements and guidance of the GHG Protocol Corporate Standard. The GHG Protocol also includes a supplement ‘GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard’ (also referred to in this document as ‘GHGP Scope 3 standard’), which makes reference as well to the GHG Protocol ‘Technical Guidance for calculating Scope 3 Emissions’ (v1.0), a supplement to the GHGP Scope 3 standard.

To be considered: 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”.

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

When reporting on their gross Scope 3 greenhouse gas (GHG) emissions, the undertaking discloses the amounts corresponding to the Scope 3 categories that it considers 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), financial institutions 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).

Supporting material

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

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

Question ID 167 - GHG protocol scope 3; sector

Release date

February 2024

Question asked

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

Key Terms

Scope 3, value chain

ESRS reference

ESRS 1 Annex B: qualitative characteristics of information; ESRS E1 paragraphs 44 and AR39, AR46

Background

ESRS 1 Annex B, on qualitative characteristics of information, provides important principles and criteria to apply in the assessment of which calculation methodologies and which input data to use in the preparation of ESRS disclosures.

ESRS E1 paragraph 44 requires the disclosure of gross Scope 3 GHG emissions, as well as the other two Scopes regarding GHG emissions, 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 other requirements related to the 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 by stating that: ‘disclose the extent to which the undertaking’s Scope 3 GHG emissions are measured using inputs from specific activities within the entity’s upstream and downstream value chain, and 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 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 apply 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 paragraph AR 46 (a)) and the ‘Technical guidance for calculating Scope 3 emissions’ (version 1.0). Additional provisions may be envisaged as part of future ESRS sector standards.

Question ID 208 - GHG emission calculation

Release date

May 2024

Question asked

The undertaking shall disclose in metric tonnes of CO₂eq its (a) gross Scope 1 GHG emissions, (b) gross Scope 2 GHG emissions, (c) gross Scope 3 GHG emissions and (d) total GHG emissions. The question is, how could this be done?

- (1) What methodologies should be used and where can they be found?
- (2) What exactly are the equivalents for the calculation? Offer interesting, concrete examples.

ESRS reference

ESRS E1 paragraphs 44, and AR 39

Key Terms

GHG emission calculation; ISO; IPCC

Background

ESRS E1 paragraph 44 states: ‘The undertaking shall disclose in metric tonnes of CO₂eq its:

- (a) gross Scope 1 GHG emission,
- (b) gross Scope 2 GHG emission,
- (c) gross Scope 3 GHG emission; and
- (d) total GHG emission’.

ESRS E1 Disclosure Requirements E1-6 – *Gross Scopes 1,2,3 and Total GHG emission* give some details on the calculation guidance for GHG emission. ESRS E1 paragraph AR39 states that ‘the undertaking shall consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). The undertaking may consider the Commission Recommendation (EU) 2021/2279 or the requirements stipulated by EN ISO 14064-1:2018 ...’

CO₂e is a unit used in GHG accounting that reflects the amount of carbon dioxide (CO₂) emission that would cause the same integrated radiative forcing or temperature change over a given time horizon as an emitted amount of a greenhouse gas (GHG) or a mixture of GHGs. To calculate emissions in CO₂e, the different Global Warming Potential (GWP) of GHGs should be used. GWPs are used to evaluate releasing (or avoid releasing) different greenhouse gases on a common basis – commonly, one tonne of CO₂. As per ESRS E1 paragraph AR39, when reporting emissions the undertaking shall ‘use the most recent Global Warming Potential (GWP) values published by the [IPCC](#) based on a 100-year time horizon to calculate CO₂eq emissions of non-CO₂ gases’.

Answer

(1) How can GHG emissions be calculated and what methodologies can be used?

The undertaking shall consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). The undertaking may consider Commission Recommendation (EU) 2021/2279 or the requirements stipulated by EN ISO 14064-1:2018. This gives further details on GHG emission calculation guidance.

If further support is needed, the GHG Protocol website also provides further guidance, calculation tools and online training on GHG accounting.

It is to be noted that ESRS are specifying some of the applications of the GHG protocol, in particular in respect of operational control (see ESRS E1 paragraphs 46 and 50).

(2) What exactly are the CO₂ equivalents used for the calculation?

When expressing its GHG emissions, the preparer shall make it in units of Tco₂e, using the latest Global Warming Potential (GWP) values published by the [IPCC](#) based on a 100-year time horizon. CO₂eq is the universal unit of measurement to indicate the global warming potential (GWP) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to

evaluate releasing different greenhouse gases on a common basis. GWP is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO₂. The current list is the one in the IPCC's 6th Assessment Report, Chapter 7SM3.

Question ID 251 - Emission factors disclosure

Release date

May 2024

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 AR 39 (b)

Key Terms

GHG emission factors

Background

ESRS E1 paragraph AR 39 (b) states: '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

Users of information should be able to understand how the GHG inventory figures have been determined. For these purposes, it may be sufficient to refer to the sources of emission factors (EF) without providing the actual figures – which could result in too detailed a 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.

Question ID 268 – GHG emissions and annual update

Release date

July 2024

Question asked

I would like to know if corporates need to update and disclose their Gross GHG scopes 1-3 each year to comply with the ESRS requirements.

ESRS reference

ESRS 1 paragraph 30, 73, 132 and 133 (b); Appendix C (reference to E1-6); ESRS E1 paragraph 44, AR 46 (f)

Key Terms

GHG emission; annual update

Background

The original question submitted is the following: ‘[GHG Emission Gross – scope 1-3— I would like to know if corporates need to update and disclose their GHG emissions each year to comply with the CSRD reporting](#)’.

ESRS 1 paragraph 30 provides that when the undertaking concludes that a sustainability matter is material ‘... it shall: (a) disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the corresponding topical ESRS ...’. ESRS 1 paragraph 73 states: ‘The reporting period for the undertaking’s sustainability statement shall be consistent with that of its financial statements.’

ESRS 1 paragraph 132 states: ‘For the first three years of the undertaking’s sustainability reporting under the ESRS, in the event that not all the necessary information regarding its upstream and downstream value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.’

ESRS 1 paragraph 133 states: ‘For the first three years of its sustainability reporting under the ESRS ...

- (b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.’

This appendix includes Scope 1-3 and total emissions.

ESRS 1 Appendix C: *List of phased-in Disclosure Requirements* includes reference to E1-6 Disclosure Requirement, indicating that 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 datapoints on Scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement.

ESRS E1 Disclosure Requirement E1-6 paragraph 44 requires the undertaking to disclose its gross Scope 1, Scope 2, Scope 3 and total GHG emissions. With respect to the Scope 3, ESRS E1 paragraph AR 46 (f) requires updating Scope 3 GHG emissions in each significant category every year on the basis of current activity data and updating the full Scope 3 GHG inventory at least every three years or on the occurrence of a significant event or significant change in the circumstances.

Answer

An undertaking shall disclose and update their Gross Scopes 1, 2, 3 and Total GHG emissions on an annual basis (consistent with financial statements, as per ESRS 1 paragraph 73) and in accordance with the provisions of ESRS 1 and ESRS E1-6.

With regard to Scope 3 GHG emissions more specifically, the update of Scope 3 GHG emissions in each significant category shall occur every year on the basis of current activity data; the update of the full Scope 3 GHG inventory is required at least every three years or on the occurrence of a significant event or a significant change in circumstances (see ESRS E1 paragraph AR 46 (f)).

Question ID 414 – Disaggregation of total emissions

Release date

July 2024

Question asked

Should ESRS E1 paragraph AR 48 including the table for disaggregating total emissions be interpreted as a mandate that all disclosers use the given table (as suggested using ‘shall’)? If so, could the meaning of the columns be more clearly specified?

ESRS reference

ESRS E1 paragraph AR 48

Key terms

Total emissions

Background

ESRS E1 paragraph AR 48 states that the undertaking shall disclose its total GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table below.

	Retrospective				Milestones and target years			Annual % target / Base year
	Base year	Comparative	N	% N / N-1	2025	2030	(2050)	
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO ₂ eq)								
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)								
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO ₂ eq)								
Gross market-based Scope 2 GHG emissions (tCO ₂ eq)								
Significant scope 3 GHG emissions								
Total Gross indirect (Scope 3) GHG emissions (tCO ₂ eq)								
1 Purchased goods and services								
[Optional sub-category: Cloud computing and data centre services]								
2 Capital goods								
3 Fuel and energy-related Activities (not included in Scope 1 or Scope 2)								
4 Upstream transportation and distribution								
5 Waste generated in operations								
6 Business traveling								
7 Employee commuting								
8 Upstream leased assets								
9 Downstream transportation								
10 Processing of sold products								
11 Use of sold products								
12 End-of-life treatment of sold products								
13 Downstream leased assets								
14 Franchises								
15 Investments								
Total GHG emissions								
Total GHG emissions (location-based) (tCO ₂ eq)								
Total GHG emissions (market-based) (tCO ₂ eq)								

The retrospective columns concern historical data. The base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time, as stated in ESRS 1 Chapter 6.3 *Reporting progress against the base year*.

ESRS E1 paragraph AR 25 requires that when setting new targets the undertaking select a recent base year that does not precede the first reporting year of the new target period by more than three years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025. For the following five-year period, the base year should be 2030. If early reductions have been achieved, these should be explained in another table or by adding new columns. Further explanations are available at ID 531 *GHG emission reduction targets – base year*.

ESRS 1 Chapter 7.1 *Presenting comparative information* 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.’ That is, the undertaking shall present previous reporting year data for comparison purposes in the third ‘comparative’ column.

In column N (fourth column), the undertaking presents the current reporting year figures, and in the fifth column it shall present the percentage reduction / increase of the value in the current year over the previous year.

The milestones and target years columns are for reporting target information for the years 2025, 2030 and 2050 (if available). It is suggested to include all target values between 2035 and 2050 that the undertaking has set by using the column ‘2050’ as a placeholder for those targets or by adding more columns to the table as applicable – given the requirement in ESRS E1 paragraph 34 (d) to update the target year every five years from 2030 onwards. Finally, the ninth column is for reporting the average annual emission reduction figure by using the following formula:

$$\text{percentage average annual emission reduction} = \frac{1 - \frac{\text{emissions in target year}}{\text{emissions in target base year}}}{\text{target year} - \text{base year}}$$

Answer

Yes, the undertaking is required to disclose its total GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table provided in ESRS E1 paragraph AR 48. Note that the undertaking is only required to fill the cells of the table that are applicable to the undertaking, meaning that for Scope 3 only significant categories (see ESRS E1 paragraph AR 46) are to be disclosed and that the cells under ‘Milestones and target years’ are to be filled according to the targets set by the undertaking.

The columns of the table are the following:

The base year: for reporting the value of the metric in the base year against which progress towards the target is measured

Comparative year: for reporting the previous year’s (compared to the reporting year’s) value for the metric

N: the value for the metric in the current year

% N/N-1: percentage reduction / increase from previous year

2025: value of target for the metric in year 2025

2030: value of target for the metric in year 2030

(2050): value of interim targets set for the metric in the years between 2035 and 2050

Annual % target / base year: report on the average annual emission reduction figure achieved so far by using the following formula:

$$\text{percentage average annual emission reduction} = \frac{1 - \frac{\text{emissions in target year}}{\text{emissions in target base year}}}{\text{target year} - \text{base year}}.$$

Question ID 535 – Emission trading schemes

Release date

July 2024

Question asked

Is there a clear definition or exhaustive list of ‘regulated Emission Trading Schemes’?

ESRS reference

ESRS E1 paragraphs 48 (b) and AR 44

Key terms

Emission trading schemes

Background

ESRS E1 paragraph 48 states: ‘The disclosure on gross Scope 1 GHG emissions required by paragraph 44 (a) shall include:

- (a) the gross Scope 1 GHG emissions in metric tonnes of CO₂eq; and
- (b) the percentage of Scope 1 GHG emissions from regulated emission trading schemes.’

The related ESRS E1 paragraph AR 44 states: ‘When preparing the information on the percentage of Scope 1 GHG emissions from regulated emission trading schemes required under paragraph 48 (b), the undertaking shall:

- (a) consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable;
- (b) only include emissions of CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃;
- (c) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and
- (d) calculate the share by using the following formula:

GHG Emissions in (t CO₂eq) from EU ETS installations + national ETS installations + non EU ETS installations

Scope 1 GHG emissions (t CO₂eq)'

CDP provides a list of ETS's around the world that can be found in the guidance to question '[3.5.2 – Provide details of each Emissions Trading Scheme \(ETS\) your organization is regulated by' of 'CDP Full Corporate Questionnaire' \(version May 2024\).](#)

Answer

The undertaking shall consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable (ESRS E1 AR 44). The schemes that fall under this requirement, therefore, include not only EU ETS but those regulated ETS which are either upcoming and/or non-EU trading schemes. Only emissions of CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃ shall be included. Separate ETS for other greenhouse gases do not have to be included. Currently, there is no clear definition or exhaustive list of 'regulated Emission Trading Schemes'. CDP provides an indicative, non-exhaustive list of ETS around the world, showing examples of ETS. The list is the following:

- Alberta TIER – ETS
- Australia ERF Safeguard Mechanism – ETS
- Austria – ETS
- BC GGIRCA – ETS
- Beijing pilot ETS
- California CaT – ETS
- Canada federal OBPS – ETS
- China national ETS
- Chongqing pilot ETS
- EU ETS
- Fujian pilot ETS
- Germany ETS
- Guangdong pilot ETS
- Hubei pilot ETS
- Indonesia ETS
- Kazakhstan ETS
- Korea ETS
- Massachusetts state ETS
- Mexico pilot ETS
- Montenegro ETS
- New Brunswick ETS
- New Zealand ETS
- Newfoundland and Labrador PSS – ETS
- Nova Scotia CaT – ETS
- Ontario EPS – ETS
- Oregon ETS
- Québec CaT – ETS
- RGGI – ETS

Saitama ETS
Sakhalin ETS
Saskatchewan OBPS – ETS
Shanghai pilot ETS
Shenzhen pilot ETS
Switzerland ETS
Tianjin pilot ETS
Tokyo CaT – ETS
UK ETS
Vietnam ETS
Washington CAR – ETS

Question ID 698 – Database for GHG emission factors

Release date

July 2024

Question asked

Is it allowed to use OEKOB AUDAT data after EN 15804 to report GHG emissions within the ESRS? Within ESRS, the Commission Recommendation (EU) 2021/2279 is allowed to use and indicate the use of Environmental Footprint [EF v3.1 impact categories](#). On the [JRC website](#), it seems as if EF v.3.1 impact categories and EN 15804 impact categories are harmonised. Does this mean that these two impact categories (EF V3.1 and OEKOB AUDAT) can be used? Can they be summed up when reporting after (EU) 2021/2279?

ESRS reference

ESRS E1 paragraph AR 39

Key terms

GHG emissions; impact categories; GHG emission factor database

Background

ESRS E1 paragraph AR 39 states: ‘When preparing the information for reporting GHG emissions as required by paragraph 44, the undertaking shall:

- (a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004) [and] may consider Commission Recommendation (EU) 2021/2279 or the requirements stipulated by EN ISO 14064-1:2018. If the undertaking already applies the GHG accounting methodology of ISO 14064-1: 2018, it shall nevertheless comply with the requirements of this standard (e.g. regarding reporting boundaries and the disclosure of market-based Scope 2 GHG emissions); ... and
- (c) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate Co2eq emissions of non-Co2 gases.’

The ÖKOBAUDAT platform is offered as a standardised database for ecological evaluations of buildings by the German Federal Ministry for Housing, Urban Development and Building.

The EN 15804 is the Environmental Product Declaration (EPD) standard for the sustainability of construction works and services. This standard harmonises the structure of EPDs in the construction sector, making the information transparent and comparable. Under EN 15804 the impact category ‘climate change total’ relates to total GHG emissions calculated on the basis of a Global Warming Potential of 100 years (GWP100), which is consistent with ESRS E1 paragraph AR 39 (d).

Nevertheless, EN 15084 is a Life Cycle Assessment (LCA) standard, which may give rise to some inconsistencies with the application of a yearly annual inventory approach, such as the one adopted in corporate sustainability reporting.

Answer

When reporting on its GHG emissions, the requirements set out in ESRS E1 need to be met. According to ESRS E1, an undertaking shall consider the GHG Protocol Corporate Standard (version 2004) and, in addition, it may also consider Commission Recommendation (EU) 2021/2279 or the requirements stipulated by EN ISO 14064-1:2018. Neither the GHG Protocol Corporate Standard, the EN ISO 14064-1 nor EN 15804 have specific norms on the adequacy of emission factors for specific uses within an inventory calculation. These issues are largely assessed through professional judgment, which may include asking for external professional advice that could help determine the applicability of any given emission factor to a specific calculation case.

Question ID 718 – Disaggregation of GHG emissions

Release date

July 2024

Question asked

It seems like in the disclosure requirements there is no distinction in GHG emissions based on fossil resources and non-fossil resources. Why is this, and would EFRAG recommend emphasising this difference in CSRD-reporting anyway?

ESRS reference

ESRS E1 paragraphs 37, AR 39, AR 41, AR 43; ESRS 1 paragraph 55

Key terms

GHG emissions, disaggregation

Background

ESRS E1 paragraph AR 41 states: ‘In line with ESRS 1 chapter 3.7, the undertaking shall disaggregate information on its GHG emissions as appropriate. For example, the undertaking may

disaggregate its Scope 1, 2, 3, or total GHG emissions by country, operating segments, economic activity, subsidiary, GHG category (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, and other GHG considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).’

ESRS 1 chapter 3.7 refers to the level of disaggregation applied to support a proper understanding of the material impacts, risks and opportunities of an undertaking. Specifically, ESRS 1 chapter 3.7 paragraph 55 states: ‘When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment.’

ESRS E1 paragraph AR 39 states: ‘When preparing the information for reporting GHG emissions as required by paragraph 44, the undertaking shall:

- (a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004) ...’

ESRS E1 paragraph 37 requires a breakdown of energy consumption between fossil, nuclear and renewable sources. Given that CO₂ emissions are often associated with energy consumption, E1-5 can provide an indication on the fossil origin of emissions.

ESRS E1 paragraph AR 43 requires a disclosure on biogenic emissions of CO₂ emissions from the combustion or biodegradation of biomass separately from Scope 1 GHG emissions, ESRS E1 paragraph AR 45 requires it separately from Scope 2 GHG emissions and ESRS E1 paragraph AR 46 separately from Scope 3 GHG emissions.

Answer

ESRS E1 paragraphs AR 43, 45 and 46 require disclosure of biogenic emissions of CO₂ emissions from the combustion or biodegradation of biomass separately from the Scope 1, 2 and 3 GHG emissions.

In addition, the undertaking shall disaggregate the reported information when needed to support a proper understanding of its material impacts, risks and opportunities (ESRS 1 chapter 3.7 *Level of disaggregation*). It shall disaggregate information on its GHG emissions as appropriate (ESRS E1 paragraph AR 41). Therefore, the undertaking shall disaggregate its GHG emissions by the distinction between fossil and non-fossil resources if considered necessary for the understanding of the impacts, risks and opportunities linked to these emissions. As stated by ESRS 1 chapter 3.7 paragraph 55, the level of disaggregation used is the one adopted in the undertaking’s materiality assessment.

Also, ESRS E1-5 paragraph 37 requires a breakdown of energy consumption between fossil, nuclear and renewable sources. Given that CO₂ emissions are often associated with energy consumption, ESRS E1 Disclosure Requirement E1-5 will often provide a reliable indication on the fossil origin of an undertaking’s emissions.

Overall, when calculating and reporting on GHG emissions, ESRS E1 paragraph AR 39 (a) states that the undertaking shall consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). ESRS do not specify these further but refer to the GHG Protocol.

See also answers to [Question ID 81 - Subsidiaries and holding company - alignment for GHG protocol](#) and [Question ID 167 - GHG protocol scope 3; sector](#). These explanations elaborate on the relationship between the ESRS and the GHG Protocol as a methodology and for Scope 3 emissions.

Question ID 831 – Contractual instruments

Release date

November 2024

Question asked

Should the percentage of contractual instruments be calculated in terms of electricity consumption, not in terms of Scope 2 GHG emissions?

ESRS reference

ESRS E1 paragraph AR 45 (d)

Key terms

Contractual instruments; scope 2

Background

ESRS E1 paragraph AR 45 states: ‘When preparing the information on gross Scope 2 GHG emissions required under paragraph 49, the undertaking shall: ...

- (d) apply the location-based and market-based methods to calculate Scope 2 GHG emissions and provide information on the share and types of contractual instruments. Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, “Scope 2 Guidance”, Glossary, 2015). Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporting entity contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, “Scope 2 Guidance”, Glossary, 2015); in this case, the undertaking may disclose the share of market-based scope 2 GHG emissions linked to purchased electricity bundled with instruments such as Guarantee of Origins or Renewable Energy Certificates. The undertaking shall provide information about the share and types of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims.’

Answer

The percentage of contractual instruments is calculated in terms of the Scope 2 activity data – this is the consumption of purchased or acquired electricity. The general expression is:

$$\% \text{ of contractual instruments} = \frac{\text{Electricity consumption backed by contractual instruments}}{\text{Total electricity consumption}}$$

Electricity is used in this context as a shorthand for purchased or acquired electricity, heat, steam and cooling (as per GHG Protocol). There are different types of contractual instruments such Guarantees of Origin, Renewable Energy Certificates, direct contracts, etc.

Question ID 882 – Data availability for biogenic emissions in Scope 3

Release date

November 2024

Question asked

Can a preparer state that data for biogenic emissions in Scope 3 is ‘not available’ as it is specifically possible for Scope 2 biogenic emissions?

ESRS Reference

ESRS E1 paragraphs AR 45 (e) and AR 46 (j); ESRS 2 Chapter 5.2 *Estimation using sector averages and proxies*

Key terms

Biogenic emissions; Scope 2; Scope 3; data availability; proxies; value chain

Background

ESRS E1 paragraph AR 45 (e) states the undertaking shall ‘disclose biogenic emissions of CO₂ carbon from the combustion or biodegradation of biomass separately from the Scope 2 GHG emissions but include emissions of other types of GHG (in particular, CH₄ and N₂O). In case the emission factors applied do not separate the percentage of biomass or biogenic CO₂, the undertaking shall disclose this. In case GHG emissions other than CO₂ (particularly CH₄ and N₂O) are not available for, or excluded from, location-based grid average emissions factors or with the market-based method information, the undertaking shall disclose this.’

In addition to Scope 2 emissions, ESRS E1 AR 46 (j) requires the undertaking to report biogenic Scope 3 emissions separately. ESRS E1 paragraph AR 46 (j) states that the undertaking shall ‘disclose biogenic emissions of CO₂ from the combustion or biodegradation of biomass that occur in its upstream and downstream value chain separately from the gross Scope 3 GHG emissions, and include emissions of other types of GHG (such as CH₄ and N₂O), and emissions of CO₂ that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG

emissions from processing or transporting biomass) in the calculation of Scope 3 GHG emissions ...’.

ESRS 1 paragraphs 69 and 71 state that:

‘69. There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 63 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain by using all reasonable and supportable information, such as sector-average data and other proxies’; and

‘71. With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, for example, when calculating the undertaking’s GHG Scope 3 emissions.’

Illustrative example related to emission factors for biogenic emissions with fuel combustion in mobile sources:

Access to easily available emission factors for biogenic emissions associated with fuel combustion in mobile sources may not be readily available. However, producers of vehicles using internal combustion engines may have to model Scope 3 CO₂ biogenic emissions – if deemed material - based on this data. If the estimation model is based on car sales per geography and average mileage of car during its useful life this could encompass finding country by country specific data on biofuel blends per type of fuel (diesel, gasoline, kerosene, etc), as well as likely evolution in future years. This will then allow to introduce a correction for the CO₂ emissions and CO₂ biogenic emissions of their Scope 3, Use of sold products category.

This example illustrates that while there may not be any “off the shelf” biogenic CO₂ emissions for mobile combustion, it is possible to develop models and data that allows for their measurement. However, developing an emission model and its associated data will depend on the scope 3 category emissions being modelled and the specific facts and circumstances of the company.

Answer

As a reminder, it has to be clarified that AR 45(e) does not allow for the omission of Scope 2 CO₂ biogenic emissions. What it says is that, in case that CH₄ and N₂O emissions are not available within the location-based or market-based emission factors, this fact shall be disclosed. However, this does not prevent the undertaking from estimating these emissions in case they are significant, for example based on the emission factors provided by the IPCC (see Tables 2.2 to 2.10) for specific fuels and combustion technologies.

Regarding GHG Scope 3 emissions, the principle of what to disclose is similar to GHG Scope 2 emissions. However, depending on the significant GHG Scope 3 category and the specific facts and circumstances of the undertaking, the identification of biogenic CO₂ emission sources, of biogenic CO₂ emission factors or the specific approach to model the biogenic CO₂ emissions of the Scope 3 category may be challenging. EFRAG will develop illustrative examples in further guidance of approaches that can be taken to model Scope 3 biogenic CO₂ emissions. [An illustrative example is listed in the background to this question.]

ESRS E1-7 GHG removals and GHG mitigation projects financed through carbon credits

Question ID 432 – Net zero target and GHG removals

Release date

July 2024

Question asked

ESRS E1 paragraph 60 mentions the words ‘after approximately 90-95% of GHG reduction’.

- (1) Does this mean that under ESRS my claim to net-zero will not be recognised if I neutralise 20% of my total reduction target to reach net-zero through removal techniques?
- (2) Is capturing and storing CO₂ emitted through my own operations considered to be ‘reduction’ or ‘removal’?

ESRS reference

ESRS E1 paragraphs 60 and 56 (a); Annex II *Acronyms and Defined Terms*: Net-zero target, GHG removal and storage

Key terms

Net-zero targets, GHG removals

Background

Regarding the net-zero target, ESRS E1 paragraph 60 states: ‘In the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets in accordance with Disclosure Requirement E1-4 paragraph 30, [the undertaking] shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction, with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.’

Annex II *Acronyms and Defined Terms* defines net-zero target: ‘Setting a net-zero target at the level of an undertaking aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways, and (2) neutralising the impact of any residual emissions (after approximately 90-95% of GHG emission reduction) by permanently removing an equivalent volume of CO₂.’

Regarding GHG removals, ESRS E1 paragraph 56 states: ‘The undertaking shall disclose:

- (a) GHG removals and storage in metric tonnes of CO_{2eq} resulting from projects it may have developed in its own operations or contributed to in its upstream and downstream value chain ...’.

Annex II *Acronyms and Defined Terms* defines GHG removal and storage: ‘[Anthropogenic] Removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO₂ and using chemical engineering to achieve long-term removal and storage.’

Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO₂ from the atmosphere, can reduce atmospheric CO₂ if it is combined with bioenergy production (BECCS). Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the surface and atmosphere. For example, if a forest that was grown to remove a specific amount of CO₂ is subject to a wildfire, the emissions captured in the trees are reversed.

The European Commission refers to this process as follows: ‘Capturing carbon dioxide directly from the atmosphere (DACCs) or from the combustion or fermentation of biogenic carbon (BECCS) has the potential to achieve negative emissions (carbon removals). The captured carbon is subsequently either stored underground or utilized in the production of synthetic materials such as fuels, chemicals, and building materials’ (see [here](#) for more information). For storage, CO₂ is captured from its source and compressed and transported to geological formations, including oil and gas reservoirs, unmendable coal seams and deep saline reservoirs where it will be stored.

Answer

- (1) Does this mean that under ESRS my claim to net-zero will not be recognised if I neutralise 20% of my total reduction target to reach net-zero through removal techniques?**

Net-zero target means neutralising the impact of any residual emissions (after approximately 90-95% of GHG emission reduction) by permanently removing an equivalent volume of CO₂ (see the definition of net-zero target above in the background). As such, neutralising more than 10% (e.g. 20%, as stated in the question) of carbon removals would not qualify to a claim of achieving a net-zero target in accordance with the ESRS definition. As stated in ESRS E1 paragraph 60, the 90-95% of GHG emission reduction is subject to sectoral variations, which may be reflected in the undertaking’s net-zero target.

- (2) Is capturing and storing CO₂ emitted through my own operations considered to be ‘reduction’ or ‘removal’?**

Please refer to the above definition of GHG removal and storage in the background section to determine whether capturing and storing CO₂ emitted through the undertaking’s operations would qualify as removal. It will be considered a removal if it results in the withdrawal of GHG from the atmosphere because of deliberate human activity (such as, for example, BECCS or carbon stored in soil through enhanced agriculture practices). It should be noted that all carbon capture and storage technologies have adverse effects that should be considered.

If an undertaking is capturing and storing CO₂ that it has emitted through its own operations, this does not necessarily represent a removal. If the carbon is of fossil origin, it may represent a transfer of CO₂ into geological storage (see article 49 of Commission Implementing Regulation

2018/2066 of 19 December 2018), and for the purposes of ESRS Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions reporting, an emission reduction. In all cases – whether removals or transfers of fossil CO₂ – there needs to be a policy to monitor reversals from the storage pools (geological or otherwise). In case of reversals of removals (ESRS E1 paragraph AR 58 (g)) or transfers of fossil CO₂, it shall be accounted as a CO₂ emission under ESRS E1 Disclosure Requirement E1-6. Removal reversals may also be reported in a separate line item, as per ESRS E1 paragraph AR 60.

Question ID 536 – Carbon credit – Quality standards

Release date

July 2024

Question asked

Which are the recognised quality standards meant in the following sentence? '(a) the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO₂eq that are verified against recognised quality standards and cancelled in the reporting period.' Are we here talking about: option (1) the voluntary standards for carbon offsetting schemes such as Gold Standard or VCR, option (2) Mandatory Clean Development Mechanisms or option (3) Voluntary Electricity Attributes Certificates?

ESRS reference

ESRS E1 paragraphs 59 and AR 61, AR 63; Annex II *List of Acronyms and Defined Terms*

Key terms

Carbon credits, quality standards for carbon credits

Background

ESRS E1 paragraph 59 states: 'The disclosure on carbon credits required by paragraph 56 (b) shall include, if applicable:

- (a) the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO₂eq that are verified against recognised quality standards and cancelled in the reporting period; and ...'

ESRS E1 paragraph AR 61 states: 'Financing GHG emission reduction projects outside the undertaking's value chain through purchasing carbon credits that fulfil high-quality standards can be a useful contribution towards mitigating climate change. This Standard requires the undertaking to disclose whether it uses carbon credits separately from the GHG emissions (paragraphs 56 (b) and 59) and GHG emission reduction targets (Disclosure Requirement E1-4). It also requires the undertaking to show the extent of use and which quality criteria it uses for those carbon credits.'

ESRS E1 paragraph AR 63 states: ‘When preparing the information on carbon credits required under paragraphs 56 (b) and 59, the undertaking shall:

- (a) Consider recognised quality standards ...’

Annex II *List of Acronyms and Defined Terms* defines ‘Recognised quality standard for carbon credits’: ‘Recognised quality standards for carbon credits are those that are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure additionality, permanence, avoidance of double counting and provide rules for calculation, monitoring, and verification of the project’s GHG emissions and removals.’

Annex II *List of Acronyms and Defined Terms* defines ‘carbon credits’: ‘A carbon credit is a convertible and transferable instrument representing GHG emissions that have been reduced, avoided or removed through projects that are verified according to recognised quality standards. Carbon credits can be issued from projects within (sometimes referred to as insets) or outside an undertaking’s value chain (sometimes referred to as offsets).’

Answer

As stated in ESRS E1 paragraph 63, the undertaking shall consider recognised quality standards when preparing information on carbon credits. There is currently no list of recognised quality standards for carbon credit recognised by the EU or recommended by EFRAG. The definition of recognised quality standard for carbon credit, detailed in the Annex II *List of Acronyms and Defined Terms*, enumerates a list of criteria that need to be met:

- (a) must be verifiable by independent third parties; and
- (b) make requirements and project reports publicly available and at a minimum ensure:
 - (i) additionality,
 - (ii) permanence,
 - (iii) avoidance of double counting and provide rules for calculation,
 - (iv) monitoring, and
 - (v) verification of the project’s GHG emissions and removals.

If those criteria are met, an undertaking can consider the carbon credit as a recognised quality standard for carbon credit.

Question ID 577 – GHG removals – Project definitions

Release date

July 2024

Question asked

What is the definition of ‘projects’ in ESRS E1 paragraph 56 (a)? Is this related to investments / asset-driven initiatives which establish a new facility, process, technology and the like?

Reference

ESRS E1 paragraph 56

Key terms

GHG removals; project definition

Background

ESRS E1 paragraph 56 states: ‘The undertaking shall disclose:

- (a) GHG removals and storage in metric tonnes of CO₂eq resulting from projects it may have developed in its own operations, or contributed to in its upstream and downstream value chain ...’

In accordance with the [GHG Protocol for Project Accounting](#), a project is ‘A specific activity or set of activities intended to reduce GHG emissions, increase the storage of carbon, or enhance GHG removals from the atmosphere. A GHG project may be a stand-alone project, or a component of a larger non-GHG project.’

Answer

In the context of ESRS E1 paragraph 56 (a), projects are all activities/interventions conducted by the undertaking which may lead to GHG removals and storage. This is consistent with the project definition provided in the [GHG Protocol for Project Accounting](#) (which does not only refer to GHG removals; see ‘Background’). It is not limited to asset-driven investments although projects in own operations may imply new asset investments or new investments in existing assets. Projects also encompass, for instance, new application for products. Examples of GHG removal projects include reforestation/afforestation, soil carbon enhancement, ecological restoration, blue carbon removals, integration of bioenergy with carbon capture and storage (BECCS) technologies and Direct Air Capture of CO₂ with storage (DACCs). Projects will usually test new concepts, technologies or products within the operating context of the company and have both a novelty component as well as a transitory nature – the related activity is operated as a project for a certain limited period.

Question ID 636 – Definition of types of removals

Release date

July 2024

Question asked

What are, or where can I find, the definitions of ‘biogenic removal and storage’, ‘removal and storage from land use’, ‘technological removal and storage’ and ‘hybrid removal and storage’?

ESRS reference

ESRS E1 paragraph AR 58

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Key terms

Removals, biogenic; removal and storage of land use; technological removal and storage; removal, hybrid and storage

Background

ESRS E1 paragraph AR 58 states: ‘When preparing the information on GHG removals and storage from the undertaking’s own operations and its upstream and downstream value chain required under paragraphs 56 (a) and 58, the undertaking shall:

- (a) consider, as far as applicable, the GHG Protocol Corporate Standard (version 2004), Product Standard (version 2011), Agriculture Guidance (version 2014), land use, land-use change, and forestry guidance for GHG project accounting (version 2006); ...’

The [GHG Protocol Product Life Cycle Accounting and Reporting Standard](#) defines ‘biogenic’ as ‘Produced by living organisms or biological processes, but not fossilized or from fossil sources’.

The ESRS Glossary defines ‘Land use (change)’ as ‘The human use of a specific area for a certain purpose (such as residential, agriculture, recreation, industrial, etc.) influenced by, but not synonymous with, land cover. Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.’

The ESRS Glossary defines ‘GHG removal and storage’: ‘[Anthropogenic] Removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO₂ and using chemical engineering to achieve long-term removal and storage. Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO₂ in the atmosphere, can reduce atmospheric CO₂ if it is combined with bioenergy production (BECCS). Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the surface and atmosphere. For example, if a forest that was grown to remove a specific amount of CO₂ is subject to a wildfire, the emissions captured in the trees are reversed’.

The provisional agreement for a carbon removals and carbon farming (CRCF) Regulation by the European Parliament and the Council of the EU reached on 20 February 2024 defines ‘biogenic carbon pool’ as ‘living biomass, litter, dead wood, dead organic matter, mineral soils and organic soils as set out in points (a) to (f) of Part B of Annex I to Regulation 2018/841 ...’.

Answer

Based on the [GHG Protocol Corporate Standard](#) (version 2004), the [Product LCA and Reporting Standard](#) (version 2011), [Agriculture Guidance](#) (version 2014) and [Land use, land-use change, and forestry Guidance for GHG project accounting](#) (version 2006), the following definitions can be derived.

- (a) *Biogenic removal and storage* refers to [GHG removal and storage](#) as defined in ESRS, which is classified as biogenic. This is produced by living organisms or biological processes but not by fossilized or from fossil sources. One example is forest restoration. For a detailed explanation of ‘biogenic’, the undertaking can refer to the GHG Protocol (e.g. [GHG Product LCA and Reporting standard](#)): ‘Biogenic removals are due to the uptake of

CO₂ by biogenic materials during photosynthesis, while non-biogenic removals only occur if CO₂ is removed from the atmosphere by a non-biogenic product during its production or use stage ...’.

- (b) *Removal and storage from land use* refers to **GHG removal and storage** as defined in ESRS resulting from **land-use**, which is defined, too, in ESRS (see background). Additionally, ESRS E1 AR 57 (b) provides examples of such activities (afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon). Also, the undertaking can refer to the [GHG Product LCA and Reporting standard](#) (2011) and the [GHG Protocol for Project Accounting standard](#) (2005) that speaks to GHG removals due to land-use change.
- (c) *Technological removal and storage* refers to **GHG removal and storage** as defined in ESRS, which results from use of technology. Such activities may resemble examples provided in ESRS E1 AR 57 (b) (direct air capture). The undertaking may refer to Annex A in the (draft) [GHG Protocol Land Sector and Removals Guidance](#) for additional information.
- (d) *Hybrid removal and storage* refers to **GHG removal and storage** as defined in ESRS, which results from combining the use of technology with biogenic removals. ESRS E1 AR 57 (b) provides an example of this activity (bioenergy with CO₂ capture and storage).

Undertakings interested in carbon removals and carbon farming are also advised to check the [provisional agreement](#) reached on 20 February 2024 by the European Parliament and the Council of the EU for a Carbon Removals and Carbon Farming (CRCF) Regulation.

Question ID 873 – Transport of removed GHGs

Release date

November 2024

Question asked

What is the meaning of, and what is to be reported under, ‘transport of removed GHGs’?

ESRS Reference

ESRS E1 paragraph AR 57 (b)

Key terms

GHG removals; transport

Background

ESRS E1 paragraph AR 57 states: ‘When disclosing the information on GHG removals and storage from the undertaking’s own operations and its upstream and downstream value chain required under paragraphs 56 (a) and 58, for each removal and storage activity, the undertaking shall describe: ...

- (b) whether removal and storage are biogenic or from land-use change (e.g. afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon, etc.), technological (e.g. direct air capture), or hybrid (e.g. bioenergy with CO₂ capture and storage), and technological details about **the removal, the type of storage and, if applicable, the transport of removed GHGs; ...’**

Answer

ESRS E1 paragraph AR 57 requires a description of ‘technological details about the removal, the type of storage and, if applicable, the transport of removed GHGs.’ For some removal technologies (BECS, DACS), transport of the captured GHGs to the storage is necessary. The technical details of both storage and transportation are included in the technological details relevant to the GHG removals in this example and shall therefore be reported if applicable. For an explanation of GHG removals and storage, please see explanation ID 432 Net zero target and GHG removals.

ESRS E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

Question ID 422 – Assets at risk and disclosure of monetary amount

Release date

July 2024

Question asked

Is the disclosure of monetary amount and proportion of assets at risk over the short-/medium-/long-term meant to be broken down by the time horizon (short-/medium-/long-term) or by a single aggregate number for assets at risk in any of those time horizons?

ESRS reference

ESRS E1 paragraphs 66 and 67, AR 70 and AR 73

Key terms

Assets at risk

Background

ESRS E1 paragraph 66 states: ‘The disclosure of anticipated financial effects from material physical risks required by paragraph 64 (a) shall include:

- (a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions, with the monetary amounts of these assets disaggregated by acute and chronic physical risk ...’

ESRS E1 paragraph 67 states: ‘The disclosure of anticipated financial effects from material transition risks required by paragraph 64 (b) shall include: ...

- (b) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering climate mitigation actions.’

As stated in both articles, the undertaking shall disclose the monetary amount and proportion of assets at risk considering the different time horizons (short-, medium- and long-term). Guidance on how to calculate these figures can be found in ESRS E1 paragraph AR 70 to AR 76, which clarify that the proportion can be done as a single amount or range.

ESRS E1 paragraph AR 70 (a) states: ‘The estimate of monetary amounts and proportion of assets at physical risk may be presented as either a single amount or range.’

ESRS E1 paragraph AR 73 (a) states: ‘... an estimate of the amount of potentially stranded assets (in monetary amounts and as a proportion/percentage) from the reporting year until 2030 and from 2030 to 2050 ... may be expressed as a range of asset values based on different climate and policy scenarios ...’.

Answer

ESRS E1 paragraphs 66 and 67 do not require a breakdown of monetary amount figures by the three time horizons. It rather requires the disclosure of a monetary amount that is the result of cumulative financial effects assessed for each of the time horizons (short-, medium- and long-term).

For example, the undertaking shall evaluate the assets at material physical risk considering short-, medium- and long-term physical climate risks. As the time span increases, the likelihood of certain climate events impacting the assets is also expected to increase – either because the events become more frequent or because the period for which they can materialise has become larger. For this reason, when doing the analysis from the short- to long-term perspective, more assets are likely to be impacted. These are then accounted for with the carrying value in the financial statement at the reporting date (ESRS E1 paragraph AR 70), and their carrying value is added up to a single amount and reported for each of the time horizons (short-, medium- and long-term). To provide more contextual information, the undertaking may disclose the expected carrying value of the assets at the time when the climate effect will materialise, taking into account the amortisation schedule. When identifying the amount and share of current assets that may be at risk, the time horizons (short-, medium- and long-term) should be considered. If applying different scenarios or if there is higher uncertainty on assets at risk in the medium- or long-term, the disclosure can be provided as a range (ESRS E1 paragraphs AR 70 (a) and 73 (a)). A breakdown by time horizon is not required but may be reported.

When reporting this information, preparers can consider the proportionality principle. Information on climate-related risks over the long-term is useful for giving direction. However,

while the likelihood of certain climate events can be expected to increase over time, long-term climate information remains uncertain in varying degrees. It is, therefore, difficult for an undertaking to anticipate and adapt financially beyond five to ten years both credibly and verifiably. Consequently, the quality and purpose differ between short-term and long-term information.

Question ID 555 – Financial effects and climate risk

Release date

July 2024

Question asked

Please provide more clarity around the requirement to report the anticipated financial effects from chronic and acute physical risks in relation to climate change. The CSRD and ESRS language is not very clear on whether the requirement is to report the financial effects of the expected damage and loss from chronic and acute physical risk or to simply report the monetary amount of the values of the assets themselves that are exposed to chronic and acute physical risk.

ESRS reference

ESRS E1 paragraph 66 (a); ESRS E1 Disclosure Requirement E1-9

Key terms

Financial materiality; climate risk; financial effects

Background

The question that was originally submitted, which was edited for clarity, is the following: ‘I would like to ask to provide more clarity around the requirement to report monetary impact from chronic and acute climate risks. The CSRD and ESRS language is not very clear if the requirement is to report the monetary impact of the expected damage&loss from chronic and acute aspects, or if it is simply amount reporting the monetary amount of the values of the assets themselves that see chronic or acute exposure.’

ESRS E1 paragraph 66 states: ‘The disclosure of anticipated financial effects from material physical risks required by paragraph 64 (a) shall include ... the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions, with the monetary amounts of these assets disaggregated by acute and chronic physical risk.’

The related ESRS E1 paragraph AR 70 states: ‘When preparing the information on assets at material physical risk that is required to be disclosed under paragraph 66 (a), the undertaking shall:

- (a) calculate the assets at material physical risk in terms of monetary amount and as a proportion (percentage) of total assets at the reporting date (i.e. the proportion is an

estimate of the carrying value of assets at material physical risk divided by total carrying value as stated in the statement of financial position or balance sheet). The estimate of assets at material physical risk shall be derived starting from the assets recognised in the financial statements ... To contextualise this information, the undertaking shall:

- i. disclose the location of its significant assets at material physical risk. Significant assets located in the EU territory shall be aggregated by NUTS codes 3 level digits (Nomenclature of Territorial Units for Statistics). For significant assets located outside the EU territory, the breakdown by NUTS code will only be provided where applicable ...
- (c) to contextualise this information, the undertaking shall: ...
 - ii. disaggregate the monetary amounts of assets at risk by acute and chronic physical risk.'

The ESRS E1 AR 70 (c) (i) (ii) is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 Template 5: Banking book – *Climate change physical risk: Exposures subject to physical risk*, which states that ‘Institutions shall disclose the gross carrying amount of exposures sensitive to impact from chronic climate-change events only, including hazards relating to gradual changes in weather and climate and having a possible impact on economic output and productivity [as well as] the gross carrying amount of exposures sensitive to impact from acute climate change events only, including hazards that may cause sudden damage to properties, disruption of supply chains, and depreciation of assets [and] the gross carrying amount subject to impact from both chronic and acute climate change events ...’.

Answer

The undertaking is required to report the monetary amount of the assets that are exposed to impact from chronic and/or acute climate change events. This provides a measure of exposure to climate risks. The intention is not to report the monetary amount of the expected damage and loss from the chronic and acute aspects, which would be more complex and uncertain to estimate.

The requirement to disaggregate the monetary amounts of assets by acute and chronic physical risk (see ESRS E1 paragraph 66 (a)) stems from the requirements detailed by the Commission Implementing Regulation (EU) 2022/2453 Template 5: Banking book – *Climate change physical risk: Exposures subject to physical risk* (note that this regulation uses the term ‘financial impact’). This regulation states that the undertaking is required to disclose:

- (a) the gross carrying amount of exposures sensitive to impact from chronic climate-change events;
- (b) the gross carrying amount of exposures sensitive to impact from acute climate change events; and
- (c) the gross carrying amount subject to impact from both chronic and acute climate change events.

ESRS E2 Pollution

ESRS E2 Pollution

ESRS E2 Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

Question ID 245 – Climate-risk analysis

Release date

July 2024

Question asked

What is the relationship between:

- (a) impacts, risks and opportunities related to climate change that are to be identified and assessed in your materiality analysis (ESRS E1 paragraph 20); and
- (b) detailed analyses (using scenario analysis) for climate-related impacts, physical risks and transition risks and opportunities (ESRS E1 paragraph 21)

according to ESRS E1 *Disclosure Requirements related to ESRS 2 IRO-1?*

ESRS reference

ESRS E1 paragraphs 20, 21, AR 9-15

Key terms

Climate-risk analysis

Background

The original question received was the following: '[What is the difference between: ...?](#)'

The ESRS distinguish between impacts, risks and opportunities ('IROs') of the undertaking, which are defined in Annex II of the Delegated Act. The undertaking is required to disclose the processes to identify the IROs and to assess which ones are material (ESRS 2 Disclosure Requirement IRO-1). Consequently, the ESRS E1 Disclosure Requirement related to ESRS 2 IRO-1 seeks transparency on the approach taken to assess its material climate-related IROs.

ESRS E1 Disclosure Requirement related to ESRS 2 IRO-1 is conceptually divided into paragraphs that require describing the processes to assess:

- (a) impacts on climate change (ESRS E1 paragraphs 20 (a), AR 9 and AR 10);
- (b) climate-related physical risks (ESRS E1 paragraphs 20 (b) and AR 11); and
- (c) climate-related transition risks and opportunities (ESRS E1 paragraphs 20 (c) and AR 12).

The ESRS E1 paragraphs 20 (b)(i) and 20 (c)(i) as well as the corresponding AR 11 and AR 12 refer directly to specific climate scenarios. At the same time, ESRS E1 paragraph 21 requires information on how climate-scenario analysis was used to inform the identification and assessment of physical risks and transition risks and opportunities. Additionally, ESRS E1 paragraph AR 13 seeks transparency on how the scenario analysis was used in relation to disclosures in ESRS E1 paragraphs 19 (ESRS 2 Disclosure Requirement SBM-3) as well as ESRS E1 paragraphs 20, 21, AR 10 and AR 11 (ESRS 2 IRO-1). ESRS E1 paragraph AR 15 requires explanation of how the climate scenarios are compatible with critical assumptions made in the financial statements. Finally, ESRS E1 paragraph AR 14 provides a reference to existing guidance, frameworks and standards on scenario analysis.

Annex II to the Delegated Act introduces definitions of impacts, sustainability-related impacts, risks, sustainability-related risks, material risks, physical risks, climate-related physical risks, climate-related transition risks, opportunities, material opportunities and climate-related opportunities.

Answer

Impacts, risks and opportunities related to sustainability matters are assessed for materiality and reported when material. The identification of material impacts, risks and opportunities is the outcome of the materiality assessment process.

Paragraphs 20 and 21 of ESRS E1 set the Disclosure Requirements related to the process followed in order to identify material impacts, risks and opportunities related to climate change that are to be reported.

Preparing a scenario analysis is not a direct requirement in ESRS E1 per se, but several ESRS E1 disclosures refer to it as a foundation for the information to be disclosed. For instance, when the undertaking develops climate scenario analysis, its outcome informs the materiality assessment, particularly for the identification of risks and opportunities (ESRS E1 paragraph 21). It is generally used to develop the resilience analysis (ESRS E1 paragraph 19).

Scenario analysis involves identifying and evaluating a range of future events and outcomes under conditions of uncertainty. It deals with the underlying uncertainty in the quantification of the future value of decision variables for one single scenario as well as with the uncertainty of different future scenarios. Scenario analysis helps ensure the quality of the information provided.

In ESRS this is reflected in the Disclosure Requirement on processes to identify and assess climate risks, which requires explanation of whether the assessment of climate-related physical risks considered at least a high emission climate scenario and whether the assessment of transition risks considered at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshooting. These requirements provide transparency on how the assessment of physical and transition risks of climate change has been done and help to better understand how they may impact the undertaking's business, strategies and financial performance over time.

Question ID 1060 – Pollution – affected communities' consultations

Release date

November 2024

Question asked

- (1) What does ‘consultation with affected communities’ – in the case of pollution, for instance – mean in terms of actions?
- (2) Could a company be compliant if it states that it has not done it even though its pollution levels are under control under current law?

ESRS Reference

ESRS E2 paragraph 11 (b)

Key terms

Pollution; affected community; ESRS S3

Background

ESRS E2 paragraph 11 states: ‘The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on: ... (b) whether and how the undertaking has conducted consultations, in particular with affected communities’.

ESRS 2 paragraph 53 (b) states: ‘(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: ...

iii. includes consultation with affected stakeholders to understand how they may be impacted and with external experts; ...’.

EFRAG IG 1 *Materiality assessment* paragraph 102 states: ‘... Even though the ESRS do not mandate behaviour, the undertaking is required to disclose whether and how the materiality assessment process identifies and assesses its impacts, including consultation with affected stakeholders, to understand how they may be impacted’.

ESRS E4 paragraph 17 (e) states that undertakings: ‘... (ii) ... shall disclose how these communities were involved in the materiality assessment ... and (iii) ... how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services’.

ESRS E4 paragraph AR 20 states: ‘... (a) ... impacts or benefits created for affected communities, smallholders, indigenous peoples or other persons in vulnerable situations ...’.

ESRS S3 paragraph 21 states: ‘... whether and how the perspectives of affected communities inform its decisions or activities aimed at managing actual and potential impacts on communities. This shall include ...:

(a) whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation;

- (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;
- (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach;
- (d) where applicable, how the undertaking assesses the effectiveness of its engagement with affected communities, including, where relevant, any agreements or outcomes that result'.

ESRS S3 paragraph 22 states: '... steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable to impacts and/or marginalised, and into the perspective of specific groups within the affected communities, such as women and girls'.

ESRS S3 paragraph 23 states: 'Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent ...'.

ESRS S3 paragraph 24 states: 'If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place'.

Answer

- (1) **What does 'consultation with affected communities' – in the case of pollution, for instance – mean in terms of actions?**

ESRS E2 does not specify the type of actions that an undertaking is to take to consult with affected communities. In general, the ESRS do not mandate behaviour. However, ESRS 2 requires transparency on the undertaking's consultation with affected stakeholders or experts (ESRS 2 paragraph 53 (b)(iii)). This disclosure of ESRS 2 is complemented with ESRS E2 IRO paragraph 11 (b) for the pollution topical standard; therefore, the undertaking is to comply with the IRO-1 specifications in ESRS 2 and ESRS E2 regardless of whether pollution has been assessed as material by the undertaking. In terms of examples as to how this engagement could be disclosed, ESRS S3-2 on processes for engaging with affected communities about impacts and ESRS E4 paragraph 17 (e), provides reference points for this datapoint.

- (2) **Could a company be compliant if it states that it has not done it even though its pollution levels are under control under current law?**

Yes, the undertaking is compliant with ESRS E2 paragraph 11 (b) if it disclosed that it did not conduct a consultation with affected communities. It is to be noted that the focus of this specific disclosure requirement is not on legal compliance with regard to pollution levels and it cannot be considered an exemption to satisfy this requirement. Here, ESRS E2 only requires stating whether the undertaking conducted consultations with affected communities as input for the pollution-related materiality assessment. If such consultation process was not adopted, the undertaking is to state that fact and, optionally, it can also provide a timeframe in which it expects to have a consultation process in place. Only in the case in which the undertaking did have this consultation

process in place will it also need to explain how it consulted the affected communities on pollution-related impacts, risks and opportunities.

Supporting material

[Implementation Guidance IG 1 Materiality assessment \(EFRAG, 2023\).](#)

ESRS E2-1 Policies related to pollution

Question ID 186 – Substances of very high concern

Release date

May 2024

Question asked

One of the requirements in the ESRS E2 Pollution Standard is to describe the phase-out of substances of very high concern (SVHCs). How can undertakings identify SVHCs 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; SVHCs

Background

Disclosure Requirement E2-1 mandates that the undertaking disclose how its policies address the substitution and minimisation 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 for 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 that were identified in accordance with Article 59 (1) of that Regulation.

The European Chemical Agency (ECHA) website includes a public registry for intentions, which lists the intentions and Annex XV restriction proposals received by the ECHA. Once an Annex XV SVHC dossier has been prepared and the scientific evidence for identifying a substance as a SVHC has been outlined, 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 of REACH, the substance may be included in the Candidate List – which is the list relevant for the identification of SVHCs (please see ID 301).

As the inclusion of substances in the Candidate List results in a number of immediate legal obligations on listing substances on their own, in mixtures and in articles, it is an indication that these substances are of concern to authorities and that they might be prioritised 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 ECHA on its official website and can be directly consulted by undertakings for information purposes.

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

ESRS E2-4 Pollution of air, water and soil

Question ID 201 – Oil spills – Chemical spills

Release date

May 2024

Question asked

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

ESRS reference

ESRS E2 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 they determined the materiality of pollution-related impacts, risks and opportunities.

ESRS 1 paragraph 33 states: ‘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.’

ESRS E2 Disclosure Requirement E2-4 paragraph 28 requires undertakings to disclose pollutants emitted to air, water and soil.

ESRS E2 paragraph 41 states: ‘The undertaking shall disclose 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.’

ESRS E2 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’ (Article 2 (10)). Article 5 (2) of 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.’

Spills are not, however, an issue addressed by ESRS E2 disclosure only. 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 to 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 mutually interact with one another.

ESRS 2 paragraph 61 states: ‘The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or the 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 provide disclosure in accordance with the provisions of ESRS E2 Disclosure Requirement related to ESRS 2

IRO-1 (materiality assessment) and ESRS E2 Disclosure Requirement 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 ESRS E2 Disclosure Requirement E2-4, referring to the E-PRTR (European Pollutant Release and Transfer Register) Regulation, which mentions ‘spilling’ as a particular type of pollutant ‘release’ in Art. 2 (10). In 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 (ESRS Disclosure Requirement 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 the relevant disclosures under ESRS E3, ESRS E4, ESRS S1, ESRS S2, and ESRS S3 if material.

Reporting the impacts of spills under the several aforementioned ESRS topics may result in undertakings needing to work with different metrics; for example: for pollution, amounts of pollutants; for biodiversity, metrics that measure changes in the number of individuals of a species; for own workforce, the number of fatalities or number of days lost to work-related injuries or ill health; 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., ESRS 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.](#)

Question ID 440 - Pollutants emissions – disaggregation

Release date

May 2024

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

ESRS E2 paragraphs 28 (a), 29, and AR 22

Key terms

Pollutant disaggregation

Background

ESRS E2-4 paragraph 28 (a) states: ‘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’.

ESRS E2-4 paragraph 29 states: ‘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’.

ESRS E2-4 paragraph AR 22 states: ‘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

In line with the reporting requirements according to the E-PRTR Regulation, undertakings are to disclose the emissions of each pollutant as separate annual amounts for each environmental medium, i.e. released to air, released to water and released to soil. Consolidation refers to the aggregation of pollutant emissions across the different facilities that the undertaking financially or operationally controls (ESRS E2 paragraph 29). 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.

The following example illustrates an undertaking that operates two industrial facilities in which the threshold values specified in Annex II of Regulation (EC) No 166/2006 are exceeded:

Pollutant	Releases to air (kg/a)	Releases to water (kg/a)	Releases to soil/land* (kg/a)
...			

Nitrogen oxides (NOx/NO2) (threshold value 100.000 kg/a)	xxx	-	-
...			
Chlorides (as total Cl) (threshold value 2 million kg/a)	-	yyy	zzz
...			

*Please note that ESRS E2 uses the terms “emissions” and “soil” whereas the E-PRTR-Regulation uses the terms “releases” and “land”. The terms can be understood interchangeably as regards the disclosures required by ESRS E2 paragraph 28 (a).

In the example, the nitrogen oxide and chlorides represent the consolidated amount from the two facilities.

An undertaking may also disclose additional breakdowns of its emissions by type of source, by sector or by geographical area (ESRS E2 paragraph AR22 and ESRS 1 chapter 3.7 Level of disaggregation).

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.](#)

Question ID 441 - Microplastics

Release date

May 2024

Question asked

Is the undertaking required to report on microplastics within the facility ('generated or used')?

ESRS reference

ESRS Disclosure Requirement E2-4 paragraphs 28 (b), and AR 20

Key terms

Microplastics

Background

ESRS E2-4 paragraph 28 (b) states: ‘The undertaking shall disclose the amounts of . . . microplastics generated or used by the undertaking’.

ESRS E2-4 paragraph AR 20 states: ‘The information to be provided on microplastics under paragraph 28 (b) shall include microplastics that have been generated or used during production processes or that are procured, and that leave the undertaking’s facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).’

Answer

If material, an undertaking is to provide, as a minimum, information on the microplastics amounts that it generates or uses. These refer to intentional or unintentional generation or use, both through production processes and procurement. For reporting purposes, microplastics leaving the facilities of the undertaking in the form of products, parts of products or services, or emissions are to be considered. Microplastics that stay within the facilities, that are used in production processes and that represent inventory used for business processes need not be reported, as they do not leave the facilities.

Legislation on the matter of microplastics is currently evolving; hence, more defined requirements may be expected in the future.

Question ID 619 – Air emissions in ESRS E2 versus ESRS E1

Release date

November 2024

Question asked

If the matter of GHG emissions is material, should the undertaking also report under the ESRS E2 in addition to ESRS E1?

ESRS Reference

E2 paragraph 28 (a)

Key terms

Non-GHG emission; ozone-depleting substance; air pollution

Background

To better address the issue pointed out by the submitter, it was agreed to revise the question received, ‘If I have a material topic regarding GHG emissions, do I need to report under the E2

Standard, or is E2 just for non-GHG gases since GHGs are disclosed in accordance with E1 *Climate Change?*' to the question above.

ESRS E2 paragraph 28 states: 'The undertaking shall disclose the amounts of ... (a) each pollutant ... emitted to air, water and soil, **with the exception of emissions of GHGs** which are disclosed in accordance with ESRS E1 *Climate Change*'. The related footnote (65) refers to information derived from the Commission Delegated Regulation (EU) 2022/1288, supplementing Regulation (EU) 2019/2088 (SFDR), including 'indicator #3 in Table II of Annex I ("Emissions of ozone- depleting substances")'. ESRS E2, Basis for Conclusions, 'EU legislation and policies alignment', paragraph BC16 specifies that the aforementioned SFRD PAI indicator is a 'European framework reference' to be used when disclosing under ESRS E2-4.

ESRS E2 paragraph 7 states: '... to provide a comprehensive overview of what could be material to pollution, relevant Disclosure Requirements are covered in other environmental Standards as follows: (a) ESRS E1 *Climate change* which addresses the following **seven greenhouse gases connected to air pollution**: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃)'.

ESRS E1 paragraph 4 states: 'This Standard covers disclosure requirements related but not limited to the **seven Greenhouse gases (GHG)**: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) ...'.

While defining 'Greenhouse Gases (GHG)', ESRS Annex II also provides an indication of the source (Regulation on the Governance of the Energy Union and Climate Action) to consult for a detailed account of GHGs and therefore those that fall under the ESRS E1 domain: 'The gases **listed in Part 2 of Annex V of Regulation (EU) 2018/1999** of the European Parliament and of the Council (13). These include Carbon dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Sulphur hexafluoride (SF₆), Nitrogen trifluoride (NF₃), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs)'.

ESRS E1 paragraph 8 states: '**Ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX)**, among **other air emissions**, are connected to climate change but are covered under the reporting requirements in ESRS E2'.

'Ozone-depleting substances' are defined in ESRS Annex II as '**Substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer**'. The Montreal Protocol identifies the individual 'controlled substances' with a high ozone-depleting potential (ODP). Such substances are considered substances of concern (SoC) under ESRS, as per the definition of SoC in Annex II, which includes, among others, substances that are 'hazardous to the ozone layer'. SoC are to be disclosed on across the ESRS E2 Standard (E2-1, E2-2, E2-3, E2-5, E2-6).

The ESRS E2 Basis for Conclusions discusses the consistency with GRI's metrics on ODS and air emissions under paragraph BC39 for Disclosure Requirement E2-4 as well as alignment with **WHO Global Air Quality Guidelines**, which additionally incorporate fine ('PM_{2.5}') and inhalable particulate matter ('PM₁₀'), Ozone(O₃), nitrogen dioxide ('NO₂'), Sulphur dioxide ('SO₂') and carbon monoxide ('CO'), and qualitative good practice statements for certain types of particulate matter.

ESRS E2 paragraph 24 states: 'In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds (e.g. the biosphere integrity, stratospheric ozone-depletion, atmospheric aerosol loading, soil depletion, ocean acidification) and entity-specific allocations were taken into consideration when setting targets.'

IG 1 Materiality Assessment paragraph 46 states: 'Once a matter has been identified as material, the undertaking refers to the DR in the respective topical ESRS to identify the information to be disclosed on the matter ... Similarly, if an undertaking concludes that pollution of water is material,

it shall provide information under the DR in ESRS E2-1 *Policies*, E2-2 *Actions and resources*, E2-3 *Targets*, E2-4 *Pollution of air, water and soil* and E2-6 *Anticipated financial effects from material polluted-related risks and opportunities*'.

Answer

When GHG emissions are material, the undertaking will report them under ESRS E1. If other air emissions (i.e. non-GHG emissions) are material, then the undertaking will need to report those under ESRS E2.

Under ESRS, GHGs include seven types, which are CO₂, CH₄, N₂O, SF₆, NF₃, HFCs, and PFCs. GHG emissions are covered by ESRS E1 and should therefore be reported in accordance with it. All other air emissions – including, therefore, non-GHG discharges – are to be reported in accordance with ESRS E2. Among such air pollutants are ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX). Undertakings may refer to the E-PRTR for the other air pollutants.

It is to be noted that the reporting of non-GHG emissions is pervasive across all ESRS E2 Disclosure Requirements (from E2-1 to E2-6).

Supporting material

Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm'.

Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action.

The Montreal Protocol on Substances that Deplete the Ozone Layer (1987).

WHO Global Air Quality Guidelines (2021).

Question ID 653 – Microplastics – tires wear

Release date

November 2024

Question asked

Shall the amount of microplastic that is generated due to tires wear be reported?

ESRS Reference

ESRS E2 paragraph 28 (b) and AR 20

Key terms

Microplastics; tires wear

Background

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 25 states: ‘Performing a materiality assessment (see sections 3.4 Impact materiality and 3.5 Financial materiality) is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported’.

IG 1 *Materiality assessment* paragraph 27 states: ‘ESRS 1 sets criteria for the materiality assessment, but not specific thresholds to determine when a matter or information is material or not. Therefore, the assessment requires the exercise of judgement. The undertaking needs to set thresholds based on the ESRS 1 criteria as well as its own specific facts and circumstances ...’.

ESRS E2-4 paragraph 28 states: ‘The undertaking shall disclose the amounts of ... (b) microplastics generated or used by the undertaking’.

ESRS E2-4 paragraph AR 20 states: ‘The information to be provided on microplastics under paragraph 28(b) shall include microplastics that have been generated or used during production processes or that are procured, and that leave the undertaking’s facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g. exfoliating beads in facial or body scrubs).’

IG 2 *Value Chain* paragraph 185 states for ESRS E2-4: ‘AR 20 refers to procurement of microplastics’.

Answer

It depends on the outcome of the undertaking’s materiality assessment, including how it applies appropriate thresholds to determine the information it discloses on metrics (see ESRS 1 paragraph 34).

The materiality assessment of microplastics should cover the whole value chain, including but not limited to own operations (see also ESRS E2 AR 20), and cover both primary microplastics (designed to be used in products or manufacturing) and secondary microplastics (generated from the breakdown of larger plastics, e.g. tires).

If the undertaking identifies microplastics as a material topic in its value chain, e.g. the downstream value chain, it shall provide, if needed (see ESRS 1 paragraphs 11 and AR 1 to 5), additional disclosures on an entity-specific basis to enable users to understand its impacts, risks and opportunities (see also [IG 2: Value Chain](#) paragraph 185).

If material, then according to ESRS E2-4 undertakings are to report on the amounts of microplastics that are unintentionally generated when larger pieces of plastics, such as car tires, wear and tear.

Please refer to ID 411 *Microplastics* for further clarifications on the value chain coverage.

Supporting material

[EFRAG IG 1: Materiality assessment implementation guidance](#) (2024).

[EFRAG IG 2: Value chain implementation guidance](#) (2024).

Question ID 713 and ID 928 – Microplastics – definition and REACH update

Release date

November 2024

Question asked

Is there any recommended definition/regulation dedicated to microplastics to use in reporting according to ESRS E2 (e.g. Regulation 2023/2055 amending the REACH)?

ESRS Reference

ESRS E2-4 paragraphs 28(b) and AR 20; Annex II: Acronyms and Glossary of Terms

Key terms

Microplastics; REACH; Regulation 2023/2055

Background

To note: to better address the issues raised by submitters, the questions received, ‘What is the basis (regulation) for the definition of microplastic. Is there any recommended definition/regulation dedicated to microplastics to use in reporting according to ESRS E2?’ (ID 928) and ‘Are microplastics defined as in Regulation (EU) 2023/2055 and do they concur with the regulation?’ (ID 713) have been combined and changed to the question above.

Annex II *Glossary and Acronyms of Terms* defines ‘microplastics’ as ‘Small pieces of plastics, usually **smaller than 5mm**. A growing volume of microplastics is found in the environment, including the sea, and in food and drinking water. Once in the environment, microplastics do not biodegrade and tend to accumulate, unless they are specifically designed to biodegrade in the open environment. Biodegradability is a complex phenomenon, especially in the marine environment. There are increasing concerns about the presence of microplastics in different environment compartments (such as water), their impact on the environment and potentially human health’.

ESRS E2-4 paragraph 28 (b) states: ‘The undertaking shall disclose the **amounts of ... microplastics generated or used** by the undertaking’.

ESRS E2-4 paragraph AR 20 states: ‘The information to be provided on microplastics under paragraph 28(b) shall include microplastics that have been generated or used during production processes or that are **procured**, and that **leave** the undertaking’s facilities **as emissions, as products, or as part of products or services**. Microplastics may be **unintentionally** produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be

deliberately manufactured and added to products for specific purposes (e.g. exfoliating beads in facial or body scrubs)'.

Regulation (EU) 2023/2055 (amending the REACH), Annex XVII, entry 78 of Column 1 provides a definition of '**Synthetic polymer microparticles**': 'polymers that are solid and which fulfil both of the following conditions: (a) are contained in particles and constitute at least 1 % by weight of those particles; or build a continuous surface coating on particles; (b) **at least 1 % by weight of the particles** referred to in point (a) fulfil either of the following conditions: (i) **all dimensions of the particles are equal to or less than 5 mm**; (ii) **the length of the particles is equal to or less than 15 mm and their length to diameter ratio is greater than 3**. The following polymers are excluded from this designation: (a) polymers that are the result of a polymerisation process that has taken place in nature, independently of the process through which they have been extracted, which are not chemically modified substances; (b) polymers that are degradable as proved in accordance with Appendix 15; (c) polymers that have a solubility greater than 2 g/L as proved in accordance with Appendix 16; (d) polymers that do not contain carbon atoms in their chemical structure'.

Regulation (EU) 2023/2055, recital 18, explains that 'derogations from the ban on placing on the market are proposed where the risk from releases is expected to be minimised because synthetic polymer microparticles are contained by technical means, such as those in chromatography columns, water filtering cartridges or printer toners, or permanently lose their particle form because, for example, they swell or form a film, like in diapers, nail polish or paint, or are permanently enclosed in a solid matrix during end use, such as fibres added to concrete or pellets used as feedstock for moulded articles'.

Regulation (EU) 2023/2055, Annex XVII, entry 78 of Column 2, paragraphs 4 and 5 clarify the abovementioned exceptions to the scope of the market ban of certain microplastics: '**4.** Paragraph 1 shall not apply to the placing on the market of: (a) synthetic polymer microparticles, as substances on their own or in mixtures, for use at industrial sites; (b) medicinal products within the scope of Directive 2001/83/EC and veterinary medicinal products within the scope of Regulation (EU) 2019/6 of the European Parliament and of the Council (*1); (c) EU fertilising products within the scope of Regulation (EU) 2019/1009 of the European Parliament and of the Council (*2); (d) food additives within the scope of Regulation (EC) No 1333/2008 of the European Parliament and of the Council (*3); (e) in vitro diagnostic devices, including devices within the scope of Regulation (EU) 2017/746 of the European Parliament and of the Council (*4); (f) food within the meaning of Article 2 of Regulation (EC) No 178/2002, not covered by point (d) of this paragraph, and feed as defined in Article 3(4) of that Regulation. **5.** Paragraph 1 shall not apply to the placing on the market of the following synthetic polymer microparticles, as substances on their own or in mixtures: (a) synthetic polymer microparticles which are contained by technical means so that releases to the environment are prevented when used in accordance with the instructions for use during the intended end use; (b) synthetic polymer microparticles the physical properties of which are permanently modified during intended end use in such a way that the polymer no longer falls within the scope of this entry; (c) synthetic polymer microparticles which are permanently incorporated into a solid matrix during intended end use.'

Regulation (EU) 2023/2055, recital 2, states that 'A big part of microplastic pollution forms **unintentionally**, for example as a result of the breakdown of larger pieces of plastic waste, or the wear and tear of tyres and road paint, or the washing of synthetic clothes. However, tiny

fragments of synthetic or chemically-modified natural polymers are also **manufactured to be used as such or added to products'**.

Answer

The definition of microplastics to use in ESRS reporting is that of the Commission Delegated Regulation (EU) 2023/2772 (Annex II and Disclosure Requirement ESRS E2-4 paragraph AR 20).

The aspects that are key to the ESRS definition of 'microplastics' are size (pieces of plastics, usually smaller than 5mm), the intentional or unintentional nature of their generation and impacts on the environment and human health. The definition of microplastics in the ESRS does not reference the REACH update (Regulation (EU) 2023/2055), which focuses more on the physical definition of microplastics and provides a more extensive definition (at least 1 % by weight of the particles has: 1. dimensions ≤ 5mm or 2. particle length ≤ 15mm and length/diameter > 3 mm) than the one in ESRS (particle dimensions ≤ 5mm).

Moreover, the REACH update is related to very specific uses of microplastics intentionally added to products (REACH restrictions), while there are many other sources of microplastic releases (both intentional and unintentional) into the environment, which the definition under ESRS focuses on. Triggering for ESRS reporting are those microplastics that leave the undertaking's facilities as emissions, products or parts of products or services, which is when the ESRS stipulate that they must be reported by the undertaking if material. Microplastics that leave the facilities as part of products should include those that are released to the environment, either due to wear and tear by product use (e.g. car tires or synthetic textiles) or due to the fact that they were manufactured to be added to products for specific purposes (e.g. exfoliating beads in facial or body scrubs).

Finally, the REACH update presents additional criteria under which microplastics in products are not to be considered pollutants (mainly referring to the use of microplastics as material input for certain sectors and polymer characteristics).

It is to be noted that legislation on the matter of microplastics is currently evolving; hence, more defined requirements may be expected in the future.

Supporting material

Commission Regulation (EU) 2023/2055 of 25 September 2023 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards synthetic polymer microparticles (Text with EEA relevance).

Question ID 832 – Pollutants emissions – changes over time

Release date

November 2024

Question asked

How can preparers take 'the changes over time' into account when disclosing the amounts of pollutants?

ESRS Reference

ESRS E2 paragraph 30 (a)

Key terms

Pollution; microplastics

Background

ESRS E2 paragraph 30 states: ‘The undertaking shall put its disclosure into context and describe:

- (a) the changes over time ...’.

ESRS E2 paragraph AR 25 states: ‘Where the undertaking’s activities are subject to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (IED) (67) and relevant Best Available Techniques Reference Documents (BREFs), irrespective of whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information’.

ESRS E4 paragraph 38 states: ‘The undertaking may disclose metrics that measure: ...

- (b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem ...’.

ESRS E4 paragraph AR 27 states: ‘When preparing the information required under this Disclosure Requirement, the undertaking shall consider and may describe:

- (a) the methodologies and metrics used and an explanation for why these methodologies and metrics are selected, as well as their assumptions, limitations and uncertainties, and any changes in methodologies made over time and why they occurred;...’

ESRS 1 paragraph 77 provides definitions of three main time intervals for the undertaking to adopt: short-term, corresponding to the ‘reporting period in its financial statements’; medium-term, lasting ‘from the end of the short-term reporting period ... up to 5 years’; and long-term for periods of ‘more than 5 years’.

ESRS 1 paragraph 74 states: ‘The undertaking shall establish appropriate linkages in its sustainability statement between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical information relates to future-oriented information’.

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.’

ESRS 2 Disclosure Requirement SBM-3 paragraph 48 (c) (iii) states that the undertaking shall disclose ‘the reasonably expected time horizons of the impacts’.

Answer

The undertaking would be reflecting changes over time by disclosing for its quantitative metrics, at the very least, comparative information in respect to the previous reporting period (see ESRS 1 paragraph 83). In this case, this means that the undertaking would, at the very least, disclose the amount of pollutants of the current reporting year and the amount of pollutants reported for the previous year (if reported) to describe changes in the amount. Should the measurement methodologies or approaches for pollutant quantification have changed regarding the previous

reporting period, the undertaking may describe, if relevant, those methodology changes to help understand the changes in the amount of pollutants disclosed (as recommended for E4-5 paragraph AR 27 (a)).

In addition, and in more generic terms, when disclosing the amounts of pollutants, preparers shall consider the ESRS 1 paragraph 77 provision on establishing appropriate linkages with their sustainability statements between past, present and future information when relevant to allow for a better understandability of how its historical information relates to current and to future-oriented information.

As no specific indication is provided on the type of changes that undertakings need to report regarding pollutants' emissions, an approach shall be selected that supports understandability and comparability over time (see ESRS 1 Chapter 2 Qualitative characteristics of information) and that considers the materiality of the pollution (materiality concept). Additionally, although no specific example is provided for ESRS Disclosure Requirement E2-4, preparers may consider the one given under ESRS Disclosure Requirement E4-5 for metrics on biodiversity, which suggests looking into changes expressed as a variation from one year to the next (short-term) or in five-year intervals (medium-term).

It is to be noted that the implementation of pollution prevention and pollution control measures, and the adoption of BATs, can lead to significant changes over time of the amounts, types and form of pollutant releases which provide relevant contextual information to the disclosure of metrics.

ESRS E2-5 Substances of concern and substances of very high concern

Question ID 226 and 301– Substances of (very high) concern and hazard classes

Release date

May 2024

Question asked

- (1) What is the difference between 'substances of concern' (SoCs) and 'substances of very high concern' (SVHCs) in ESRS E2 Disclosure Requirement E2-5?
- (2) What are the lists of substances of concern (SoC) and substances of very high concern (SVHCs) to be considered?
- (3) What are their respective main hazard classes?

ESRS reference

ESRS E2 Disclosure Requirement E2-5 paragraph 34; Annex II Acronyms and Glossary of Terms: 'Substances of Concern (SoC)' and 'Substances of Very High Concern (SVHCs)'

Key terms

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

Background

ID 226 and 301 were both on Substances of (Very High) Concern. As they have related answers, they were combined in the questions above. To better answer the questions addressed by the submitters, it was agreed to change the questions received from ID 226 '[What is the difference between 'substances of concern' and 'substances of very high concern' in ESRS E2 Disclosure Requirement E2-5?](#)' and ID 301 '[What is the list of substances of high concern to be considered? Is the list of substances of Very High Concern the one in Annex XIV of REACH? What are the main hazard classes of substances of concern and very high concern that must be considered for reporting under paragraph 34?](#)' to the questions above.

As per Annex II Acronyms and Glossary of Terms, a substance of concern (SoC) is a 'substance that meets at least one of three criteria:'

- (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 (REACH) – 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.'

The ESRS Glossary defines substances of very high concern (SVHCs) 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 described below may be identified as SVHC:

- (a) under the Regulation (EC) No 1272/2008 (CLP) 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 other substances listed above, and which are identified on a case-by-case basis, such as those having endocrine disrupting properties.

The list that is relevant for the identification of SVHCs 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 SoCs, these will include the SVHCs 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 SoCs. 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 specific list of chemicals for these criteria. However, ESRS 1 paragraph 11 states that ‘... 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.’ Additionally, 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.

Answer

(1) What is the difference between ‘substances of concern’ (SoCs) and ‘substances of very high concern’ (SVHCs) in ESRS E2 Disclosure Requirement E2-5?

As per the ESRS Glossary in Annex II of the Commission Delegated Regulation (EU) 2023/2772, Substances of Concern constitute a broader group of substances, including:

- (a) the Substances of Very High Concern meeting the criteria laid down in Art. 57 and 59 of the REACH regulation;
- (b) the substances classified in one of the hazard classes or hazard categories, as per point (ii) of the definition of SoC in the ESRS Glossary (see 'Background' information), and as listed in Part 3 (Table 3.1) of Annex VI of CLP;

- (c) and substances that negatively affect the reuse and recycling of materials in the products in which they are present, as defined in the relevant EU product-specific ecodesign requirements (forthcoming).

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

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 updates³ 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. The 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 ecodesign requirements available; hence, there are no published lists for these substances. Nonetheless, undertakings are to follow ESRS 1 indications on entity-specific disclosures should they conclude that a related impact, risk or opportunity is material although not explicitly covered by the ESRS.

(3) What are their respective main hazard classes?

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

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

Lastly, please also refer to ID 186 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 \(CLP\)](#).

³ Please note that the most recent updates made 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.

Question ID 648 – Substances of (very high) concern – including entity-specific disclosures

Release date

November 2024

Question asked

If a company sells articles containing substances of (very high) concern, shall the total amounts of products containing those substances or the total amounts of substances within those products be reported?

ESRS Reference

ESRS paragraph 34

Key terms

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

Background

To better address the issue addressed by the submitter, it was agreed to change the question received from '[If a company sells articles containing substances of concern and substances of very high concern, shall the total amount of the products containing those substances be reported or the total amount of the substances within those products?](#)' to the question above.

E2-5 paragraph 34 concerns the production and procurement of substances of concern, including when these leave the facilities of the manufacturing undertaking as products as well as '... total amounts of substances of concern that are generated or used during the **production** or that are **procured**, and the total amounts of substances of concern that **leave its facilities as emissions, as products, or as part of products or services** split into main hazard classes of substances of concern'.

E2-5 paragraph 32 states: 'The undertaking shall disclose information on the production, use, **distribution, commercialisation** and **import/export** of substances of concern and substances of very high concern, on their own, in mixtures or **in articles**'.

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'.

Answer

The undertaking is in any case required to provide information on the total amounts of substances of concern within those products if it concludes that pollution is material. In addition, depending on its specific circumstances, the undertaking may conclude that it is also material to disclose the amounts of products containing such substances.

Under ESRS E2-5 paragraph 34, the undertaking that produces, uses, distributes, commercialises and imports/exports substances of concern and substances of very high concern on their own, in mixtures or in articles shall disclose ‘the total amounts of substances of concern that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.’

Nonetheless, if the undertaking concludes that additional entity-specific metrics (including in connection to its value chain) are needed due to the related impacts, risks or opportunities not being covered or not being covered with sufficient granularity by the required metric in ESRS E2-5 and that these entity-specific metrics are related to the total amount of products containing substances of concern and substances of very high concern, then it has to include also that information in its reporting.

Question ID 815 – Substances of concern – in articles

Release date

November 2024

Question asked

The current EU legislation requires to monitor substances of concern in chemicals but not in articles. If no (or only partial) information (including due to suppliers' lack of responsiveness) is available on substances of concern contained in the manufactured articles, what should the company disclose?

ESRS Reference

E2 paragraphs 15, 34-35, AR 13, AR 19, and AR 28; ESRS 1 paragraphs 34 and 71

Key terms

Substances of concern; SoC

Background

E2 paragraph 15 states: ‘The undertaking shall indicate, with regard to its own operations and its upstream and downstream value chain, whether and how its policies address the following areas where material ...

- (b) substituting and minimising the use of substances of concern; and ...’.

ESRS E2 paragraph 34 states: ‘The disclosure required by paragraph 32 shall include the total amounts of substances of concern that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.’

ESRS E2 paragraph 35 states: ‘The undertaking shall present separately the information for substances of very high concern.’

ESRS E2 paragraph AR 13 states: ‘Where actions extend to upstream or downstream value chain engagements, the undertaking shall provide information on the types of actions reflecting these engagements.’

ESRS E2 paragraph AR 19 states: ‘The targets may cover the undertaking’s own operations and/or the value chain.’

ESRS E2 paragraph AR 28 states: ‘In order for the information to be complete, substances in the undertaking’s own operations and those procured shall be included (e.g. embedded in ingredients, semi-finished products, or the final product).’

ESRS 1 paragraph 71 states: ‘With reference to policies, actions and targets, the undertaking’s reporting shall include upstream and/or downstream value chain information to the extent that those policies, actions and targets involve actors in the value chain. With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, for example, when calculating the undertaking’s GHG Scope 3 emissions’.

ESRS 1 paragraph 34 states: ‘When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking: ...

- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.’

Regulation (EC) No 1907/2006 (REACH), Article 3 defines ‘article’ as ‘an object which during production is given a special shape, surface or design which determines its function to a greater degree than does its chemical composition’. Regulation (EC) No 1907/2006 (REACH), Article 33 on the ‘Duty to communicate information on substances in articles’ states: ‘1. Any supplier of an article containing a substance meeting the criteria in Article 57 and identified in accordance with Article 59(1) in a concentration above 0,1 % weight by weight (w/w) shall provide the recipient of the article with sufficient information, available to the supplier, to allow safe use of the article including, as a minimum, the name of that substance. 2. On request by a consumer, any supplier of an article containing a substance meeting the criteria in Article 57 and identified in accordance with Article 59(1) in a concentration above 0,1 % weight by weight (w/w) shall provide the consumer with sufficient information, available to the supplier, to allow safe use of the article including, as a minimum, the name of that substance’.

Answer

If substances of concern (and/or substances of very high concern) in articles represent a material topic for the undertaking:

- (a) for the **metrics** disclosure of ESRS E2 paragraphs 34 and 35, the undertaking shall consider both those within its production processes as well as the ones entering its own operations through procurement as an ingredient, semi-finished products, or final products. If the metric cannot be determined through direct data collection, e.g. by obtaining it from suppliers, after making a reasonable effort to do so, it shall be estimated by using proxies. Reference is made to '*ID 504 – Disclosure Requirements on material metrics when information is not available*'; and
- (b) the undertaking shall, in any case, report on the related **policies, actions and targets** (PAT) it has in place in relation to the material topic. ESRS E2 provides in particular specific indications on the extension of the reporting under the PAT to the value chain. Concerning policies, the undertaking must disclose whether and how its policies support the substitution and minimisation of the use of substances of concern. This information is to be provided also for its upstream and downstream value chain. With regard to actions, undertakings shall report on upstream and downstream value chain engagements when present. The extension of targets to value chain entities is, however, optional.

Concerning the specific case of substances of very high concern (SVHC) in articles, Regulation (EC) No 1907/2006 (REACH) requires communicating SVHC content where specific thresholds are exceeded.

To note: Information to be collected from value chain entities can be omitted during a three-year phase-in period if certain conditions are met in accordance with ESRS 1 Chapter 10.2 *Transitional provision related to Chapter 5 Value chain*, unless it is prescribed under EU legislation.

See [Draft] Question 29 *ESRS require undertakings to use estimates if they cannot obtain all necessary value chain information after having made reasonable efforts to do so (ESRS 1 General requirements paragraph 69). What constitutes 'reasonable effort'?* from the European Commission on the interpretation of certain legal provisions in Directive 2013/34/EU (Accounting Directive).

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 \(REACH\).](#)

ESRS E2-6 Anticipated financial effects from pollution-related impacts, risks and opportunities

Question ID 472 – Major incidents and deposits

Release date

November 2024

Compilation of Explanations January—November 2024

Page 181 of 278

Question asked

When are incidents and deposits considered to be ‘major’? Is there a qualitative or quantitative threshold to consider?

ESRS reference

ESRS E2 paragraph 40 (b)

Key terms

Anticipated financial effect; major incident; deposit

Background

ESRS E2 paragraph 38 states: ‘The objective of this Disclosure Requirement is to provide an understanding of:

- (a) anticipated financial effects due to material risks arising from pollution-related impacts and dependencies and how those risks have (or could reasonably be expected to have) a material influence on the undertaking’s financial position, financial performance, and cash flows, over the short-, medium- and long term- ...’.

ESRS E2 paragraph 39 states: ‘The disclosure shall include:

- (a) a quantification of the anticipated financial effects in monetary terms before considering pollution-related actions, or where not possible without undue cost or effort, qualitative information.’

ESRS E2 paragraph 40 states: ‘The information provided under paragraph 39 (a) shall include ...

- (b) **operating and capital expenditures** incurred in the reporting period in conjunction with **major incidents and deposits**’.

ESRS E2 paragraph 15 states: ‘The undertaking shall indicate, with regard to its own operations and its upstream and downstream value chain, whether and how its policies address the following areas where material ... (c) avoiding incidents and emergency situations’.

ESRS E2 paragraph 41 states: ‘The undertaking shall disclose 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’.

The Industrial Emissions Directive, recital 16, stipulates that ‘The impact of pollution, including when caused by incidents or accidents, can extend beyond the territory of a Member State. In such cases, without prejudice to Directive 2012/18/EU of the European Parliament and of the Council (9), limiting the consequences for human health and the environment of incidents or accidents and preventing further possible incidents or accidents requires prompt exchange of information and close coordination between the competent authorities of the Member States which are or could be affected by such events. Therefore, in the event of any incident or accident significantly affecting the environment or human health in another Member State, exchange of information and transboundary and multidisciplinary cooperation between the affected Member

States should be fostered to limit the consequences for the environment and human health and to prevent further possible incidents or accidents'.

The Industrial Emissions Directive, Article 7(b), adds that 'in the event of any incident or accident significantly affecting the environment ...the operator immediately takes the measures to limit the consequences for human health or the environment and to prevent further possible incidents or accidents'.

The Seveso-III Directive, Article 3, paragraph 13 defines a major accident as 'an occurrence such as a major emission, fire, or explosion resulting from uncontrolled developments in the course of the operation of any establishment covered by this Directive, and leading to serious danger to human health or the environment, immediate or delayed, inside or outside the establishment, and involving one or more dangerous substances'.

Answer

ESRS do not provide a threshold for distinguishing major incidents and deposits from regular occurrences. The evaluation of incidents should, in all cases, be based on the undertaking's materiality assessment and incidents identified as major are likely connected to material impacts and risks and, therefore, likely to be identified as material. At the same time, incidents of lower scale can carry material impacts or financial risks and, therefore, be assessed by the undertaking as material, too.

It is also to be noted that based on the provisions of materiality of information of ESRS 1 paragraph 34, the disclosure of operating and capital expenditures incurred in the reporting period, in conjunction with major incidents and deposits as required by ESRS E2 paragraph 40 (b), depends more on whether the expenditures are financially material and not on what kind of major incidents or deposits caused them.

The undertaking may also need to consider the provisions in the Seveso-III Directive on major accidents as well as those in the IED 2.0 on incidents and accidents that significantly affect the environment. The IED stipulates in particular that incidents or accident may significantly affect the environment and may become a national matter or even extend beyond national borders. The Seveso-III Directive (used in the development of ESRS E2) explicitly defines major accidents and includes examples that can be considered for reporting. In the cases in which an undertaking's incidents or accidents fall within the scope of major or significant incidents or accidents according to existing law (i.e. IED 2.0 and Seveso-III Directive), such incidents and accidents would also be considered as major incidents according to ESRS. Should any of the undertaking's facilities or installations not be covered by the IED 2.0 or the Seveso-III Directive, the undertaking can nonetheless consider the definitions provided in those Directives when applying its materiality assessment.

Supporting material

Directive (EU) 2024/1785 of the European Parliament and of the Council of 24 April 2024 amending Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) and Council Directive 1999/31/EC on the landfill of waste (IED 2.0).

Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances (Seveso-III Directive).

Best Available Techniques (BAT) Reference Document for Waste Treatment, EC (2018).

ESRS E3 Water and marine resources

[ESRS E3 Water and marine resources](#)

ESRS E3-1 – Policies related to water and marine resources

Question ID 456 – Policies on water treatment

Release date

November 2024

Question asked

What is the meaning of water treatment ‘as a step towards more sustainable sourcing of water’?

ESRS Reference

ESRS E3 paragraph 12 (a) (ii)

Key terms

Water management; water policies; water treatment

Background

ESRS E3 paragraph 12 states: ‘The undertaking shall indicate whether and how its policies address the following matters where material:

(a) water management including: ...

ii. water treatment as a step towards more sustainable sourcing of water; ...’

In Annex II *Acronyms and Glossary of Terms* wastewater is defined as ‘Water which is of no further immediate value to the purpose for which it was used or in the pursuit of which it was produced because of its quality, quantity, or time of occurrence. Wastewater from one user can be a potential supply to a user elsewhere ...’.

[US EPA Guidelines for Water Reuse](#) reads: ‘Direct potable reuse (DPR): The introduction of reclaimed water (with or without retention in an engineered storage buffer) directly into a drinking water treatment plant, either collocated or remote from the advanced wastewater treatment system. Indirect potable reuse (IPR): Augmentation of a drinking water source (surface or groundwater) with reclaimed water followed by an environmental buffer that precedes drinking water treatment. Nonpotable reuse: All water reuse applications that do not involve potable reuse. Potable reuse: Planned augmentation of a drinking water supply with reclaimed water ... Water reuse: The use of treated municipal wastewater (reclaimed water) ... Reclaimed

water: Municipal wastewater that has been treated to meet specific water quality criteria with the intent of being used for a range of purposes. The term recycled water is synonymous with reclaimed water. Water reclamation: The act of treating municipal wastewater to make it acceptable for reuse.'

Regulation 2020/741/EU on minimum requirements for water reuse, paragraph (2), reads: 'The Union's ability to respond to the increasing pressures on water resources could be improved by wider reuse of treated waste water, limiting extraction from surface water bodies and groundwater bodies, reducing the impact of discharge of treated waste water into water bodies, and promoting water savings through multiple uses for urban waste water, while ensuring a high level of environmental protection.'

Paragraph (6) states: 'In its communication of 2 December 2015 "Closing the loop – An EU action plan for the Circular Economy", the Commission committed to taking a series of actions to promote the reuse of treated waste water, including the development of a legislative proposal on minimum requirements for water reuse.'

Paragraph (9) states: 'Reuse of properly treated waste water, for example from urban waste water treatment plants, is considered to have a lower environmental impact than other alternative water supply methods, such as water transfers or desalination.'

The definition in Article 3 of 'reclaimed water' reads as follows: '(4) "reclaimed water" means urban waste water that has been treated in compliance with the requirements set out in Directive 91/271/EEC and which results from further treatment in a reclamation facility in accordance with Section 2 of Annex I to this Regulation ...'.

Directive 91/271/EEC on urban waste water treatment, Article 2, reads: 'For the purpose of this Directive:

7. "primary treatment" means treatment of urban waste water by a physical and/or chemical process involving settlement of suspended solids, or other processes in which the BOD₅ of the incoming waste water is reduced by at least 20 % before discharge and the total suspended solids of the incoming waste water are reduced by at least 50 %;

8. "secondary treatment" means treatment of urban waste water by a process generally involving biological treatment with a secondary settlement or other process in which the requirements established in Table 1 of Annex I are respected;

9. "appropriate treatment" means treatment of urban waste water by any process and/or disposal system which after discharge allows the receiving waters to meet the relevant quality objectives and the relevant provisions of this and other Community Directives ...'.

The Circular Economy Action Plan 2020 states: 'The new Water Reuse Regulation will encourage circular approaches to water reuse in agriculture. The Commission will facilitate water reuse and efficiency, including in industrial processes.'

In its article '[Sustainability in Water Supply](#)', the International Water Association Publishing writes on reclaimed water: 'Reclaimed water, or water recycled from human use, can also be a sustainable source of water supply. It is an important solution to reduce stress on primary water resources such as surface and groundwater'.

Answer

There is no definition of water treatment or of sustainable sourcing of water in the Annex II *Acronyms and Glossary of terms*. However, in the definition of wastewater the concept of water reuse is introduced: 'Wastewater from one user can be a potential supply to a user elsewhere'.

Only the use by external users is explicitly mentioned, while the possibility of internal reuse in the undertaking's own operation may also exist but is not made explicit. Even if not explicit in the ESRS definition, wastewater in most cases will have to undergo treatment before it can be used for a different purpose or reused for the same purpose.

Water treatment encompasses physical, chemical and biological treatments operated on water outputs (or inputs) with the purpose of meeting adequate quality for a certain use, process or destination, such as drinking water quality level, preparation for another use (industrial, agricultural) or the discharge back to the natural environment.

Therefore, ESRS E3 paragraph 12 (a) (ii) should be read under the assumption that policies on water treatment can promote water reuse as a sustainable source of water. In these terms, water treatment can increase the sustainability of water management practices and, more specifically, water sourcing to the extent that it can reduce the need for water withdrawal and therefore the pressure on the water environment. It can also improve the quality of water discharges, increasing the availability of high-quality, safe water for withdrawal and ecological functions. The practice can more broadly be seen as an application of circular economy principles to water management.

Supporting material

US EPA Guidelines for Water Reuse, 2012

Regulation 2020/741/EU on minimum requirements for water reuse

Directive 91/271/EEC on urban waste water treatment

Circular Economy Action Plan, 2020

Sustainability in Water Supply | IWA Publishing

ESRS E3-4 – Water consumption

Question ID 455 – Contextual information and consolidated data for water consumption

Release date

November 2024

Question asked

Since it is not feasible to provide water consumption data and all the contextual information needed for 200-300 sites in one report, how should contextual information for 200-300 sites be provided?

ESRS Reference

ESRS E3 paragraph 28

Key terms

Water consumption; consolidated data; multiple sites

Background

ESRS 1 paragraph 31 states: ‘The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an 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.’

ESRS 1 paragraph 34 states: ‘When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.’

ESRS 1 paragraph 54 states: ‘When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information: (a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or (b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.’

ESRS 1 paragraph 56 states: ‘Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.’

ESRS 1 paragraph QC. 1 states: ‘Sustainability information is relevant when it may make a difference in the decisions of users under a double materiality approach (see Chapter 3 of this Standard).’

ESRS 1 paragraph QC. 5 states: ‘To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) accurate.’

ESRS 2 paragraph 77 states: ‘For each metric, the undertaking shall: (a) disclose the methodologies and significant assumptions behind the metric, including the limitations of the methodologies used.’

ESRS E3 paragraph 26 states: ‘The undertaking shall disclose information on its water consumption performance related to its material impacts, risks and opportunities.’

ESRS E3 paragraph 28 states: ‘The disclosure required by paragraph 26 relates to own operations and shall include:

- (a) total water consumption in m³;
- (b) total water consumption in m³ in areas at water risk, including areas of high-water stress;
- (c) total water recycled and reused in m³;
- (d) total water stored and changes in storage in m³; and
- (e) any contextual information necessary regarding points (a) to (d), including the water basins’ water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.’

ESRS E3 paragraph AR 1 states: ‘When conducting a materiality assessment on environmental subtopics, the undertaking shall assess the materiality of water and marine resources in its own operations and its upstream and downstream value chain, and may consider the four phases below, also known as the LEAP approach: (a) Phase 1: locate where in its own operations and along the value chain the interface with nature takes place ...’.

Answer

ESRS E3 paragraph 28 requires the disclosure of water consumption related to own operations and related contextual information. It is expected that all sites and their contextual information are considered in the materiality assessment. The disclosures on water consumption and contextual information shall be reported for the entire group and can be aggregated for all or for multiple sites.

The undertaking can aggregate information, according to ESRS 1 paragraph 56, under the condition that the aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature. It is up to the undertaking to decide the best way to do that aggregation, so as to not to obscure material information and meet the qualitative characteristics of information as per ESRS 1 paragraph 19.

If an aggregated presentation fails to portray, in alignment with the qualitative characteristics of information, the profile of water consumption of the group, the information shall be disaggregated for material sites (or assets) in accordance with ESRS 1, paragraph 54(b). The information to be disaggregated may refer to the water consumption metric, contextual information or both.

As an example, an undertaking with several (e.g. one hundred) facilities in different water basins may provide contextual information (e.g. in percentages) on how many of its facilities are located

in areas of high-water stress and how this is the underlying factor driving water consumption as a material matter, as the risk of water droughts becoming more frequent can lead to more frequent production stoppages constraining future production capacity. It may also have to provide the location of facilities in areas of high-water stress or of areas of high-water stress where the relevant facilities are located, if material.

The above answer does not address the omission of immaterial amounts, which is covered in principle in [ID 148 Scope of consolidation for non-EU and unconsolidated subsidiaries](#) in relation to immaterial subsidiaries.

Question ID 526 and ID 1021 – Disclosure of a non-material datapoint (water-consumption in own operations) related to a (a) material and (b) non-material topic

[Question ID 526 and ID 1021 – Disclosure of a non-material datapoint \(water-consumption in own operations\) related to a \(a\) material and \(b\) non-material topic](#)

Question ID 676 – Water metrics in the value chain

Release date

November 2024

Question asked

Can undertakings report different metrics related to the same sustainability matter in different parts of the value chain depending on the nature of the impact, for example water withdrawal for own operations and water consumption for upstream value chain?

ESRS Reference

ESRS E3-4 paragraph 28 (a) and (b) and AR 32

Key terms

Value chain metrics; water metrics; water withdrawal; water consumption

Background

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 63 states: ‘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”). In extending the information about the reporting undertaking, the undertaking shall include material impacts, risks and opportunities connected with its upstream and downstream value chain:

- (a) following the outcome of its due diligence process and of its materiality assessment; and
- (b) in accordance with any specific requirements related to the value chain in other ESRS.’

ESRS 1 paragraph 64 states: ‘Different sustainability matters can be material in relation to different parts of the undertaking’s upstream and downstream value chain.’

ESRS 2 paragraph 75 states: ‘The undertaking shall disclose any metrics that it uses to evaluate performance and effectiveness in relation to a material impact, risk or opportunity.’

ESRS 2 paragraph 76 states: ‘Metrics shall include those defined in ESRS, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself.’

IG 2 *Value chain*, ‘Summary in 7 key points’, point 5 states: ‘Topical standards require to include VC data only for a few metrics. However, when the undertaking considers that a material IRO in the VC is not sufficiently covered by the requirements in ESRS, it shall include additional entity-specific disclosures, including metrics when such information is necessary in order to enable users to understand the undertaking’s material impacts, risks or opportunities.’

Answer

Yes, the undertaking can report different metrics for the same sustainability matter for different parts of its value chain based on which metrics are deemed material for its own operations and its value chain. In relation to the example provided by the submitter, this means that the undertaking would disclose its water consumption in relation to its upstream value chain if material (this would be an entity-specific disclosure when applying sector-agnostic standards), but it would not disclose its water consumption in its own operations if not material. At the same time, it could disclose water withdrawal for its own operations if material (this is an optional metric) but not disclose this metric in relation to its upstream or downstream value chain if impacts in the value chain are not material. If only impacts upstream are material, the metric in relation to own operation and downstream value chain are not disclosed.

More specifically, concerning this example the following is to be noted. ESRS E3-4 paragraph 28(a) requires reporting water consumption in the undertaking’s own operations only. If the undertaking deems that this metric is not material for its own operations, it shall not disclose it (see ESRS 1 paragraph 34 (b)). At the same time, if the metric water consumption is identified as material in the upstream or downstream value chain, the undertaking would be required to disclose it as an entity-specific metric (see ESRS 1 paragraph 11).

ESRS E3-4 paragraph AR 32 provides the option to disclose the metric on the undertaking’s water withdrawal. Therefore, if the undertaking considers this metric material for its own operation, it may choose to disclose it. At the same time, if this metric is deemed not material for its upstream or downstream value chain, it would not disclose it in connection to the value chain.

Question ID 776 – Pollutants emissions – granularity

Release date

November 2024

Question asked

- (1) Could you clarify the level of detail required in reporting pollutants (including microplastics)?
- (2) When is it possible to resort to estimations?
- (3) Do all the pollutants listed in the E-PRTR and all microplastics need to be measured?

ESRS Reference

E2-4 paragraph 28

Key terms

Pollution; microplastics; granularity

Background

To better address the issue addressed by the submitter, it was agreed to change the question received, ‘[The level of detail required in measuring pollutants is very unclear; could you please clarify?](#)’ to the question above.

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 54 states: ‘When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information ... (b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.’ ESRS 1 paragraph 69 states: ‘There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 63 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain by using all reasonable and supportable information, such as sector-average data and other proxies’.

ESRS 1 paragraph 72 states: ‘The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see Chapter 2 and Section 7.2 *Sources of estimation and outcome uncertainty* of this Standard)’.

ESRS E2 paragraph 28) states: ‘The undertaking shall disclose the amounts of: (a) 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*; (b) microplastics generated or used by the undertaking.’

ESRS E2 paragraph 29 states: ‘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.’

ESRS E2-4 paragraph 31 states: ‘When an inferior methodology compared to direct measurement of emissions is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.’

ESRS E2 paragraph AR 26 states: ‘When providing information on pollutants , the undertaking shall consider approaches for quantification in the following order of priority: (a) direct measurement of emissions, effluents or other pollution through the use of recognised continuous monitoring systems (e.g., AMS Automated Measuring Systems); (b) periodic measurements; (c) calculation based on site -specific data; (d) calculation based on published pollution factors; and (e) estimation.’

ESRS E2 paragraph 11 states: ‘The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on: (a) whether the undertaking has screened its site locations and business activities in order to identify its actual and potential pollution-related impacts, risks and opportunities in its own operations and upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening; (b) whether and how the undertaking has conducted consultations, in particular with affected communities.’

Regulation (EU) 2024/1244 (IEPR), Annex I, provides a list of activities that fall within its scope. Recital (12) states: ‘To comply with the requirements of the Protocol, the reporting requirements provided for in this Regulation should apply to all activities listed in Annex I to the Protocol and, in fulfilling those reporting requirements, the facility to which the installation, or part thereof, belongs should be indicated. In addition, and with a view to achieving synergies with related Union environmental law affecting industrial installations, the scope of this Regulation should also be aligned with the industrial activities under Annexes I and Ia to Directive 2010/75/EU and with certain activities covered by Directive (EU) 2015/2193 of the European Parliament and of the Council’.

Answer

(1) Could you clarify the level of detail required in reporting pollutants (including microplastics)?

The level of detail required in reporting pollutants is not specific. The selection of pollutants that the undertakings will need to disclose will depend on the pollutants (including microplastics) that are material for their specific operations (ESRS E2 Disclosure Requirement IRO-1). Therefore, the undertaking will need to conduct a materiality assessment, including being transparent on whether any screening of its site locations and business activities were conducted, considering

the pollutants they emit, the quantities, and the associated impacts of those emissions, as well as any consultations with the communities that are affected by its operations where appropriate. In addition, the undertaking shall disaggregate the information by significant site or by significant asset when material pollution-related impacts, risks and opportunities are highly dependent on a specific location or asset. For further information on the disaggregation of reported pollutant emissions, please consult ID 440.

(2) When is it possible to resort to estimations?

Estimations are generally considered a less preferable measuring methodology compared to direct observations. However, should the undertaking be compelled to resort to reporting by estimation (e.g. due to the unfeasibility of collecting information about its upstream and downstream value chain), it should provide an explanation as well as a description of the methodologies, assumptions and tools used. The incorporation of estimates made using sector-average data or other proxies shall meet the qualitative characteristics of information as defined in ESRS 1. In the specific case of microplastics, it is worth noting that estimations may be the only feasible measuring methodology (particularly in the case of wear and tear of larger pieces of plastics, such as car tires or synthetic textiles) and, therefore, undertakings will most likely resort to estimations when reporting on microplastics.

(3) Do all the pollutants listed in the E-PRTR and all microplastics need to be measured?

In terms of E-PRTR pollutants, considering that the undertaking will need to refer to all material pollutants, it will report only on each material pollutant listed in the E-PRTR under ESRS E2-4 paragraph 28(a), whereas other pollutants assessed as material but not included in the E-PRTR are to be reported under entity-specific disclosures.

See also [Question ID 441 - Microplastics](#) for further information on microplastics and to [Question ID 440 - Pollutants emissions - disaggregation](#) to better understand the disaggregation level needed when reporting on pollutant emissions.

Supporting material

Regulation (EU) 2024/1244 of the European Parliament and of the Council of 24 April 2024 on reporting of environmental data from industrial installations, establishing an Industrial Emissions Portal and repealing Regulation (EC) No 166/2006.

ESRS E4 Biodiversity

[ESRS E4 Biodiversity](#)

ESRS E4 Disclosure Requirement related to ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

Question ID 1025 – Direct drivers of biodiversity loss – definition

Release date

November 2024

Question asked

What is the meaning of ‘Direct impact drivers of biodiversity loss’?

Related question derived from the background provided by the submitter: ‘Does “direct” refer to own operations, or does “direct” refer to impacts caused anywhere in the value chain causing a direct impact on biodiversity?’

ESRS Reference

ESRS 1 paragraph AR 16; ESRS E4 paragraph AR 4

Key terms

Biodiversity loss; direct impact drivers of biodiversity loss

Background

ESRS 1 paragraph AR 16 states: ‘When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical ESRS ...

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	<ul style="list-style-type: none">- Climate Change- Land-use change, fresh water-use change and sea-use change- Direct exploitation- Invasive alien species- Pollution- Others
		Impacts on the state of species	Examples: <ul style="list-style-type: none">- Species population size- Species global extinction risk
		Impacts on the extent and condition of ecosystems	Examples: <ul style="list-style-type: none">- Land degradation- Desertification- Soil sealing
		Impacts and dependencies on ecosystem services	

...’.

ESRS E4 paragraph AR 4 states: ‘The materiality assessment under ESRS E4 includes the undertaking’s:

- (a) contribution to direct impact drivers on biodiversity loss:
 - i. climate change;
 - ii. land-use change (e.g. land artificialisation), freshwater-use change and sea-use change;
 - iii. direct exploitation;
 - iv. invasive alien species ;
 - v. pollution; and
 - vi. others.
- ...

‘Impact Drivers’ is defined in the ESRS Glossary as: ‘All the factors that cause changes in nature, anthropogenic assets, nature’s contributions to people and a good quality of life. Direct drivers of change can be both natural and anthropogenic; they have direct physical (mechanical, chemical, noise, light, etc.) and behaviour-affecting impacts on nature. They include, inter alia, climate change, pollution, different types of land use change, invasive alien species and zoonoses, and exploitation. Indirect impact drivers operate diffusely by altering and influencing direct drivers (by affecting their level, direction or rate) as well as other indirect drivers. Interactions between indirect and direct drivers create different chains of relationship, attribution, and impacts, which may vary according to type, intensity, duration, and distance. These relationships can also lead to different types of spill-over effects. Global indirect drivers include economic, demographic, governance, technological and cultural ones. Special attention is given, among indirect drivers, to the role of institutions (both formal and informal) and impacts of the patterns of production, supply and consumption on nature, nature’s contributions to people and good quality of life.’

The ESRS E4 Biodiversity and Ecosystems Basis for Conclusions (March2023) states: ‘According to the IPBES, pressures on biodiversity and ecosystems, also termed key biodiversity loss impact drivers, originate from five categories of impact drivers: land-use or habitat change, climate change, pollution, natural resource use and exploitation, as well as invasive species ...’.

The term ‘Direct drivers (of biodiversity and ecosystem change)’ is a term first coined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). The IPBES defines direct drivers: ‘Direct drivers (natural and anthropogenic) are drivers that unequivocally influence biodiversity and ecosystem processes (also referred to as “pressures”).’ Find more information, also on the definition of ‘indirect drivers’, here: <https://www.ipbes.net/models-drivers-biodiversity-ecosystem-change>.

Answer

The term ‘direct’ refers to the immediate or unambiguous pressure or impact that climate change, land/fresh water/sea-use change, pollution, direct exploitation and invasive alien species have on biodiversity and ecosystems’ loss or degradation. The term ‘direct’ in this context does not refer to whether the impact originates from the undertaking’s own operations or from its upstream or downstream value chain. Direct impact drivers of biodiversity loss can be connected to the undertaking’s own operations, to its upstream or downstream value chain or to all of them. The term ‘direct drivers’ was first introduced by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES; see background).

For example, consider an undertaking that uses timber as a primary material in one of its products. The extraction of timber (a direct exploitation of a natural resource, which is one of the five impact drivers) causes a negative impact on the natural habitat from which it is sourced, leading to ecosystem degradation and biodiversity loss. Whether the extraction is carried out by the undertaking itself (own operations) or, for instance, by one of its suppliers (upstream value chain), this exploitation of natural resources would be a ‘direct driver’ of ecosystem and biodiversity loss in that specific location.

In the context of the ESRS, ‘Direct impact drivers of biodiversity loss’ and ‘Direct drivers of biodiversity and ecosystems change’ can be used interchangeably (see also the ESRS Glossary’s definition of ‘Impact drivers’ in the background above).

ESRS E4-5 – Impact metrics related to biodiversity and ecosystems change

Question ID 802 – Reference lists of biodiversity-sensitive areas

Release date

July 2024

Question asked

ESRS say ‘biodiversity sensitive areas’ are Natura 2000 network of protected areas, UNESCO World Heritage sites and KBAs, plus other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Reg (EU) 2021/2139. Would any one of the datasets be sufficient for this metric, or does it have to be all?

ESRS reference

ESRS E4-5 paragraph 35

Key terms

Biodiversity-sensitive areas

Background

ESRS E4-5 paragraph 35 states: ‘If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting (see paragraph 19 (a)), the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.’

ANNEX II Acronyms and Glossary of Terms defines biodiversity-sensitive areas as: ‘Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (‘KBAs’), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139(8).’

Appendix D of Annex II to Commission Delegated Reg (EU) 2021/2139 states: ‘... For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as

other protected areas), an appropriate assessment (3), where applicable, has been conducted and based on its conclusions the necessary mitigation measures (4) are implemented.'

The World Database on Protected Areas (WDPA) is the most comprehensive global database of marine and terrestrial protected areas. It is a joint project between the UN Environment Programme and the International Union for Conservation of Nature (IUCN), and it is managed by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) in collaboration with governments, non-governmental organisations, academia and industry.

Answer

To identify a biodiversity-sensitive area that meets the criteria of ESRS E4 Disclosure Requirement E4-5, it is sufficient that the area is listed in only one of the sources mentioned under the definition of biodiversity-sensitive area in the ESRS Glossary of Terms (see background).

If the relevant site is not included under the Natura 2000 network of protected areas, UNESCO World Heritage sites and/or Key Biodiversity Areas ('KBAs'), the undertaking needs to assess if it falls under 'other protected areas' as per the ESRS glossary definition. Other protected areas could be, for instance, forest protected areas or areas lying within river basin districts designated as requiring special protection by governmental authorities. This may require consulting national legislation sources defining these other protected areas. In addition, the World Database on Protected Areas (WDPA) can support preparers in the identification of protected areas.

Question ID 953 – Mandatory disclosures of material metrics on biodiversity

Release date

November 2024

Question asked

Is it mandatory to report a metric for each material impact on biodiversity and ecosystems?

ESRS Reference

ESRS E4 paragraphs 33, 38-41

Key terms

Metrics; mandatory

Background

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 34 states: 'When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:

- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.'

ESRS 1 paragraph AR 3 states 'When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether:

- (a) its chosen performance metrics provide insight into:
 - i. how effective its practices are in reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts); and/or
 - ii. the likelihood that its practices result in financial effects on the undertaking (for risks and opportunities);
- (b) the measured outcomes are sufficiently reliable, meaning that they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and
- (c) it has provided sufficient contextual information to interpret performance metrics appropriately, and whether variations in such contextual information may impact the comparability of the metrics over time.'

ESRS E4 paragraph 33 states: 'The undertaking shall report metrics related to its material impacts on biodiversity and ecosystems.'

ESRS E4 paragraph 35 states: 'If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting (see paragraph 19(a)), the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.

ESRS E4 paragraph 38 states: 'If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, freshwater-use change and/or sea-use change, it shall report relevant metrics. The undertaking may disclose metrics that measure:

- (a) the conversion over time (e.g. 1 or 5 years) of land cover (e.g. deforestation or mining);
- (b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem (e.g. through the intensification of agricultural management, or the application of better management practices or forestry harvesting);
- (c) changes in the spatial configuration of the landscape (e.g. fragmentation of habitats, changes in ecosystem connectivity);
- (d) changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and

- (e) the functional connectivity (e.g. how well genes or individuals move through land, freshwater and seascape).’

ESRS E4 paragraph 39 states: ‘If the undertaking concluded that it directly contributes to the accidental or voluntary introduction of invasive alien species, the undertaking may disclose the metrics it uses to manage pathways of introduction and spread of invasive alien species and the risks posed by invasive alien species.’

ESRS E4 paragraph 40 states: ‘If the undertaking identified material impacts related to the state of species, the undertaking may report metrics it considers relevant. The undertaking may:

- (a) refer to relevant disclosure requirements in ESRS E1, ESRS E2, ESRS E3, and ESRS E5;
- (b) consider population size, range within specific ecosystems as well as extinction risk. These aspects provide insight on the health of a single species’ population and its relative resilience to human induced and naturally occurring change;
- (c) disclose metrics that measure changes in the number of individuals of a species within a specific area;
- (d) disclose metrics on species at extinction risk (80) that measure:
 - i. the threat status of species and how activities/pressures may affect the threat status; or
 - ii. changes in the relevant habitat for a threatened species as a proxy for the undertaking’s impact on the local population’s extinction risk.’

ESRS E4 paragraph 41 states: ‘If the undertaking identified material impacts related to ecosystems, it may disclose:

- (a) with regard to ecosystems extent, metrics that measure area coverage of a particular ecosystem without necessarily considering the quality of the area being assessed, such as habitat cover. For example, forest cover is a measure of the extent of a particular ecosystem type, without factoring in the condition of the ecosystem (e.g. provides the area without describing the species diversity w
- (b) thin the forest);
- (c) with regard to the ecosystem’s condition:
 - i. metrics that measure the quality of ecosystems relative to a pre-determined reference state;
 - ii. metrics that measure multiple species within an ecosystem rather than the number of individuals within a single species within an ecosystem (for example: scientifically established species richness and abundance indicators that measure the development of (native) species composition within an ecosystem against the reference state at the beginning of the first reporting period as well as the targeted state outlined in the Kunming-Montreal Global Biodiversity Framework, or an aggregation of species’ conservation status if relevant); or
 - iii. metrics that reflect structural components of condition such as habitat connectivity (i.e. how linked habitats are to each other).’

Answer

No, ESRS E4 does not require reporting metrics for each material impact. For ESRS E4, it is only mandatory for the undertaking to report metrics for ESRS E4 paragraph 35 (if the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting) and for paragraph 38. In applying paragraphs 35 and 38, the conditions of ESRS 1 paragraph 34 apply (see background). The disclosure of metrics related to ESRS E4 paragraphs 39, 40 and 41 is voluntary even if the undertaking has identified material impacts in connection with the subtopics mentioned in those paragraphs (the undertaking would still be required to disclose on the other provisions listed in ESRS E4 for those material subtopics).

With regard to ESRS E4 paragraph 38, the undertaking can choose to disclose metrics that measure other or only a few of the aspects listed in that paragraph. The undertaking shall refer to ESRS 1 paragraph 11 when identifying relevant entity-specific metrics.

Impact metrics in ESRS E4 are rarely standardized. For disclosure requirements where they are not, it is the responsibility of the undertaking to identify the metrics that are relevant to be disclosed (see ESRS 1 paragraph 31 and Appendix B of ESRS 1 for the definition of ‘relevance’). To assist the undertakings in this process, ESRS E4-5 indicates metrics or indicators that measure relevant aspects related to ecosystems and biodiversity and that may be material for undertakings to disclose.

In relation to paragraphs 39, 40 and 41, reporting on metrics is optional. However, if the undertaking concludes that the inclusion of entity specific metric(s) is necessary (ESRS 1 paragraph 11), the provisions in these paragraphs support the identification of relevant metrics to be reported.

See also Question ID 526 and ID 1021 – *Disclosure of a non-material datapoint (water-consumption in own operations) related to a (a) material and (b) non-material topic*.

Question ID 1115 – Disclosing the number and area of sites near or in biodiversity-sensitive areas

Release date

November 2024

Question asked

Is it mandatory to report this metric (ESRS E4 paragraph 35) if analyses show that there are no negative impacts on any areas at sites located in or near the biodiversity-sensitive areas? Follow-up question: is it required to report the metric if there is (also) no materiality for the sustainability topic of biodiversity for the own operations?

ESRS Reference

ESRS E4-5 paragraph 35

Key terms

Impacts on biodiversity; biodiversity-sensitive areas

Background

ESRS E4-5 paragraph 19 states: 'The undertaking shall specifically disclose:

- (a) whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated; ...'.

ESRS E4-5 paragraph 35 states: 'If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting (see paragraph 19(a)), the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.'

ESRS 1 paragraph 29 states: 'Irrespective of the outcome of its materiality assessment, the undertaking shall always disclose the information required by: ESRS 2 *General Disclosures* (i.e. all the Disclosure Requirements and datapoints specified in ESRS 2) and the Disclosure Requirements (including their datapoints) in topical ESRS related to the Disclosure Requirement IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities*, as listed in ESRS 2 Appendix C Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 *General Disclosures*'.

Answer

No, if the undertaking concludes that it is not negatively affecting biodiversity-sensitive areas in or near sites that it owns, leases or manages, it shall not disclose the number and area of those sites (in relation to ESRS E4 paragraph 35).

The undertaking, however, must always disclose whether it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas under ESRS E4 paragraph 19 (a). This disclosure is related to ESRS 2 IRO-1 and, therefore, this information needs to be disclosed irrespective of the outcome of the undertaking's materiality assessment considering relevance of information (see ESRS 1 paragraphs 29 and 31).

Question ID 1172 – Disclosure of the area of sites in or near biodiversity-sensitive area

Release date

November 2024

Question asked

Concerning the sites located in or near biodiversity-sensitive areas that the undertaking is negatively affecting, the undertaking has to disclose the number of sites and their area. Does the

undertaking have to disclose the total area of the site or just the area inside or near the biodiversity-sensitive area?

ESRS Reference

ESRS E4 paragraph 35

Key terms

Biodiversity-sensitive areas; area of site

Background

ESRS E4 paragraph 35 states: 'If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting (see paragraph 19(a)), the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.'

ESRS E4 paragraph 19(a) states: 'The undertaking shall specifically disclose: (a) whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated ...'.

Answer

The undertaking is required to disclose the total area (in hectares) of a site owned, leased or managed in or near protected areas or key biodiversity areas if it has activities related to these sites that are negatively affecting a biodiversity-sensitive area. The disclosure refers to the total area of the site, not just the portion that may fall within or be adjacent to the biodiversity-sensitive area.

Information on the total size of a site can be relevant to assess the undertaking's actual and potential impacts, as activities carried out in the site beyond the immediately adjacent or overlapping portions of a site can still affect biodiversity-sensitive areas nearby.

What to consider as 'near' depends on the type of impact that the company has on the biodiversity-sensitive area. It could, for example, depend on the type and amount of pollutant emitted by the undertaking and whether it is transported by water flows (e.g. rivers), ground water or air currents, potentially impacting aquatic and terrestrial ecosystems kilometres away from the pollution source.

If the impact is directly related to land-use or land-use change, an understanding of the portion of the site overlapping or adjacent to the biodiversity-sensitive area will better inform the assessment of the impact of the undertaking on the biodiversity-sensitive site.

However, if the impacts are related to the integrity/fragmentation of habitats or the structural connectivity of ecosystems that affect the movement of species between different areas, then land-use or land-use change may be relevant to characterise even if not adjacent or overlapping with the biodiversity-sensitive area. For example, the enlargement of a production site or land-

use change for agriculture between two biodiversity-sensitive areas may affect the connectivity between the populations of a species and have a significant effect on their overall viability on both biodiversity-sensitive areas. In this case, the undertaking's site is not overlapping with or adjacent to any biodiversity-sensitive area, but the undertaking will define as 'near' the two biodiversity-sensitive sites based on its assessment of its actual or potential material impacts.

Characteristics like magnitude (e.g. amount of contaminant, noise intensity), spatial extent (e.g. area of land contaminated, area of land converted to agriculture, size of habitat fragmentation) and temporal extent (e.g. duration of persistence of contaminant, duration of habitat modification) determine how impacts affect ecosystems and biodiversity and at what distance and therefore help identify whether the undertaking's site is located 'near' a biodiversity-sensitive area.

ESRS E5 Resource use and circular economy

[ESRS E5 Resource use and circular economy](#)

ESRS E5-5 Resource outflows

Question ID 283 – Whether waste incineration is a disposal operation

Release date

November 2024

Question asked

Is incineration with energy recovery considered waste diverted or waste disposed?

ESRS reference

ESRS E5 paragraph 37

Key terms

Waste; waste incineration; waste recovery; waste disposal

Background

ESRS E5 paragraph 37 states: ‘The undertaking shall disclose the following information on its total amount of waste from its own operations, in tonnes or kilogrammes:

- (a) the total amount of waste generated;
- (b) the total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the following recovery operation types:
 - i. preparation for reuse;
 - ii. recycling; and
 - iii. other energy recovery;
- (c) the amount by weight directed to disposal by waste treatment type and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. The waste treatment types to be disclosed are:
 - i. incineration;
 - ii. landfill; and
 - iii. other disposal operations;
- (d) the total amount and percentage of non-recycled waste.’

Waste is defined in Annex II *Glossary of Acronyms and Terms* as ‘Any substance or object which the holder discards or intends or is required to discard.’ This definition refers to Article 3(1) of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (Waste Framework Directive or WFD).

Incineration is defined in Annex II *Glossary of Acronyms and Terms* as ‘The controlled burning of waste at high temperature with or without energy recovery.’

Recovery is defined in Annex II *Glossary of Acronyms and Terms* as ‘Any operation the principal result of which is waste serving a useful purpose by replacing other materials which would otherwise have been used to fulfil a particular function, or waste being prepared to fulfil that function, in the plant or in the wider economy.’ This definition refers to article 3(15) of the WFD. Likewise, Article 3(15a) of the WFD on the definition of material recovery states that “material recovery” means any recovery operation, other than energy recovery and the reprocessing into materials that are to be used as fuels or other means to generate energy’.

In addition, ESRS E5 Disclosure Requirement 5-1 requires an undertaking to consider whether and how its policies address the waste hierarchy (as per Article 4(1) of the WFD: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g. energy recovery; and (e) disposal.

The WFD also provides a list of Disposal and Recovery Operations in its Annex I and Annex II, respectively. While incineration is included in Annex I of disposal operations ('D10 Incineration on land'), Annex II on recovery includes operation 'R1 Use principally as fuel or other means to generate energy'. This category potentially includes co-incineration where wastes are burned for their fuel content, and a note is also included allowing the inclusion of Municipal Solid Waste (MSW) incineration provided that a certain level of energy efficiency is achieved.

Answer

Incineration is to be treated as a recovery operation if it meets the conditions to be considered as an ‘R1 Use principally as fuel or other means to generate energy’ operation, according to Annex II of the Waste Framework Directive. In this case, it is considered as an ‘other energy recovery’ under ESRS E5 paragraph 37(b)(iii).

If the conditions in which incineration occurs are conducive to its classification as a ‘D10 incineration on land’ operation (Annex II of the Waste Framework Directive), then it shall be classified as a disposal operation.

Supporting material

See also [Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives](#) (Waste Framework Directive or WFD).

Question ID 400 – Recycled waste

Release date

November 2024

Question asked

Can we assume that recycled waste can be calculated by subtracting non-recycled waste from total waste?

ESRS Reference

ESRS E5 paragraph 37

Key terms

Recycled waste

Background

ESRS E5-5 paragraph 37 states: ‘The undertaking shall disclose the following information on its total amount of waste from its own operations, in tonnes or kilogrammes:

- (a) the total amount of waste generated;
- (b) the total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the following recovery operation types:
 - (i) preparation for reuse;
 - (ii) recycling; and
 - (iii) other recovery operations ...
- (d) the total amount and percentage of non-recycled waste.’

Directive 2008/98/EC (Waste Framework Directive (WFD)), Article 4, includes recycling as part of a waste hierarchy for waste management: ‘The following waste hierarchy shall apply as a priority order in waste prevention and management legislation and policy: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g. energy recovery; and (e) disposal’.

Answer

Yes, undertakings can assume that recycled waste can be calculated by subtracting non-recycled waste from total waste provided that they consider all proper components in the equation of the total waste (in order to understand what can be considered as ‘non-recycled waste’) and provided that they know all components except the one of recycled waste.

As per the Waste Framework Directive (WFD), these are the components that need to be considered in the equation of the total waste generated:

$$\text{Total waste} = \text{recycled waste} + \text{reused waste} + \text{other recovery} + \text{disposed waste}.$$

The above categories are to be understood as per definitions in the WFD:

- (a) **Recycled waste:** any recovery operation by which waste materials are reprocessed into products, materials or substances. This includes the reprocessing of organic material but excludes energy recovery and reprocessing into materials used as fuels.
- (b) **Reused waste:** involves checking, cleaning or repairing recovery operations by which products or components of products that have become waste are prepared to be re-used without other pre-processing.
- (c) **Other recovery:** any waste-recovery operation that serves a useful purpose by replacing other materials. Notably, it includes energy recovery (e.g. incineration with energy recovery).
- (d) **Disposed waste:** waste that is not recovered (recycled or otherwise diverted from disposal) and is sent to landfill or other disposal methods.

Nevertheless, given the equation, a missing component can be derived if the other components in the equation are known. To calculate recycled waste, if this component is not known and all others are, undertakings would have to use the following equation:

$$\text{Recycled waste} = \text{total waste} - (\text{reused waste} + \text{other recovery} + \text{disposed waste})$$

Supporting material

Please see also [Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives](#) (Waste Directive).

Question ID 408 – Categorisation of waste streams

Release date

November 2024

Question asked

Could you clarify the categorisation of the following waste streams (whether under ESRS E5 paragraph 37 (b) (iii), (c) (ii) or (c) (iii))? Composting of organic waste, fermentation of organic waste and incineration of waste that results in energy production (which then is used/sold).

ESRS Reference

ESRS E5-5

Key terms

Waste stream, categorisation of

Background

ESRS E5-5 states that an undertaking shall disclose information on its resource outflows, including waste, related to its material impacts, risks and opportunities.

ESRS E5 paragraph 37 (b) and (c) require a breakdown by certain waste management operations, namely:

- (a) waste not directed to disposal operations by recovery operation type (E5 paragraph 37(b)(i)-(iii), which connects to the list of recovery operations in Annex II of the Waste Directive; and
- (b) waste directed to disposal operations by waste treatment types (E5 paragraphs 37(c)(i)-(iii), which connect to the list of disposal operations in Annex I of the Waste Directive.

The ESRS Glossary's definition of 'incineration' reads as follows: 'Incineration is the controlled burning of waste at high temperature with or without energy recovery.'

Answer

Composting and fermentation of organic wastes are considered a form of recycling – see Directive 2008/98/EC of the European Parliament and of the Council (Waste Framework Directive, WFD), Annex II, 'R3 Recycling/reclamation of organic substances which are not used as solvents (including composting and other biological transformation processes)' – and a recovery operation for the purposes of ESRS 5 paragraph 37 (b) (ii).

According to Annex I of the WFD, incineration without energy recovery is considered a disposal operation (included as 'D10 Incineration on land') and is classified under ESRS E5 paragraph 37 (c) (i) Annex II of the WFD, which sets out the different types of recovery operations. Incineration with energy recovery is considered disposal if the criteria is not met (as explained in the footnote to R1 of Annex II, of the WFD) and is to be classified under the 'R1 Use principally as a fuel or other means to generate energy' operation. If classified as an 'R1 Use principally as a fuel or other means to generate energy' operation, incineration with energy recovery can be considered under ESRS E5 paragraph 38(b)(iii) as 'other recovery operations'.

See [Question ID 283 – Whether waste incineration is a disposal operation.](#)

Supporting material

Please see also [Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives](#) (Waste Directive).

Question ID 438 – Treatment of non-material datapoints, e.g. radioactive waste – can it be a non-material datapoint?

[Question ID 438 – Treatment of non-material datapoints, e.g. radioactive waste – can it be a non-material datapoint?](#)

Questions related to Social

ESRS S1 Own workforce

[ESRS S1 Own workforce](#)

Question ID 434 – Difference between non-employees and value chain workers

Release date

November 2024

Question asked

Regarding the differentiation between non-employees and employees of the value chain (ESRS S1-7 and S2), could it be considered that the main difference is that non-employees carry out core activities of the company and employees of the value chain only accessory or supply activities?

ESRS Reference

ESRS S1 paragraph 4, AR 3, and AR 62; ESRS S2 paragraph 4, and AR 3

Key terms

Value chain workers; non-employees

Background

Annex II *Acronyms and Glossary of Terms* provides the following definition of non-employees: ‘Non-employees in an undertaking’s own workforce include both individual contractors supplying labour to the undertaking (‘self-employed people’) and people provided by undertakings primarily engaged in ‘employment activities (NACE Code N78).’

Value chain worker is defined as ‘An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking’s upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking’s own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of “Own Workforce”. “Own Workforce” includes people who are in an employment relationship with the undertaking (“employees”) and non-employees who are either individual contractors supplying labour to the undertaking (“self-employed people”) or people provided by undertakings primarily engaged in employment activities (NACE Code N78).’

ESRS S1 paragraph AR 62 provides the following examples: ‘Examples of contractors (self-employed people) in the undertaking’s own workforce include: contractors hired by the undertaking to perform work that would otherwise be carried out by an employee; contractors hired by the undertaking to perform work in a public area (for example, on a road, on the street); and contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the organization. Examples of people employed by a third party engaged in “employment activities” whose work is under the direction of the undertaking include: people who perform the same work that employees carry out, such as people who fill in for employees

who are temporarily absent (due to illness, holiday, parental leave, etc.); people performing regular work at the same site as employees; and workers who are dispatched temporarily from another EU Member State to work for the undertaking (“posted workers”). Examples of value chain workers (and thus of workers not in the undertaking’s own workforce and reported under the scope of ESRS S2) include: workers for a supplier contracted by the undertaking who work on the supplier’s premises using the supplier’s work methods; workers for a “downstream” entity which purchases goods or services from the undertaking; and workers of an equipment supplier to the undertaking who, at one or more of the undertaking’s workplaces, perform regular maintenance on the supplier’s equipment (for example, photocopier) as stipulated in the contract between the equipment supplier and the undertaking.’

Answer

The ESRS definition is not based on the type of activities performed by employees (i.e. ‘core’ or ‘non-core’) and as such this terminology is not used in the ESRS. The definition is based on the type of contract or labour relation. Non-employees include two types of workers, self-employed workers and persons provided by undertakings primarily engaged in ‘employment activities’ for whom the undertaking should have direct access to data on these types of workers (ESRS S1 paragraph 119; see also [Question ID 33 Definitions of non-employees](#)). Value chain workers include all workers who are not in the scope of ‘Own Workforce’ and do not have a contractual relationship with the undertaking. Examples of workers in the value chain may be found in ESRS S2 paragraph AR 3, which include, for example, ‘workers of a supplier contracted by the undertaking.’ ESRS S1 paragraph AR 62 also provides examples of both non-employees and value chain workers.

ESRS S1-4 Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches

Question ID 214 - Resources to manage material impacts

Release date

March 2024

Question asked

In paragraph 43 of ESRS S1 (‘the undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed’), it is unclear whether ‘material impacts’ is meant to cover all material impacts or only ‘own workforce’ material impacts.

ESRS reference

ESRS S1-4 paragraph 43; ESRS S1 paragraph AR48; ESRS S1 paragraph 1.

Key Terms

Resources to manage material impacts

Background

The original question received has been reworded to the above to be clearer. The original question was: ‘When mentioning ‘material impacts’ in paragraph 43 of ESRS S1-4, it is unclear if you mean ‘all’ material impacts or ‘own workforce’ material impacts.’

ESRS S1 paragraph 1 clarifies the objective of ESRS S1, specifying that Disclosure Requirements in this topical standard will ‘enable users of the sustainability statement to understand the undertaking’s material impacts on its own workforce.’

ESRS S1-4 paragraph 43 states: ‘The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed.’

ESRS S1 paragraph AR 48 further explains: ‘When disclosing the resources allocated to the management of material impacts, the undertaking may explain which internal functions are involved in managing the impacts and what types of action they take to address negative, and advance positive, impacts.’

Answer

‘Resources allocated to the management of material impacts’ refers only to the disclosure of resources allocated to the management of material matters pertaining to the ‘own workforce’ topic.

As paragraph 43 of ESRS S1-4 is part of the topical standard on ‘own workforce’, ‘material impacts’ in that paragraph is intended to refer specifically to material impacts on own workforce.

ESRS S1-6 Characteristics of the undertaking’s employees

Question ID 31 - Breakdown of temporary, permanent, and non-guaranteed hours employees

Release date

March 2024

Question asked

Is this a three-way split or are non-guaranteed hours employees part of temporary/permanent employees?

ESRS reference

ESRS S1 paragraphs 50 (b), AR 55, and AR56

Key Terms

Employees permanent; employees temporary; employees non-guaranteed hours

Background

ESRS S1 paragraph 50 (b) requires the disclosure of: '(b) the total number by head count or full-time equivalent (FTE) of:

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

Further information on how to present this information can be found in Table 3 and Table 4 in ESRS S1 paragraph AR 55, while ESRS S1 paragraph AR 56 also provides a definition of non-guaranteed hours employees as following: 'Non-guaranteed hours employees are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the undertaking is not contractually obliged to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.'

Answer

ESRS S1 paragraph 50 (b) requires a three-way split of employees as the text distinguishes between three datapoints, (i) permanent, (ii) temporary and (iii) non-guaranteed hours employees, and it specifies that a breakdown by gender is required for the three datapoints. In addition, ESRS S1 paragraph AR 55, Table 3 and Table 4 offer further guidance by providing the template for presenting information on employees by contract type.

ESRS S1 paragraph AR 56 specifies that 'the definitions of permanent, temporary, non-guaranteed hours . . . employees differ between countries . . .' and it also provides a definition of non-guaranteed hours employees. While permanent and temporary employment relationships define the duration of a contract, a non-guaranteed hours contract refers mainly to the expected working time. The defining characteristic of non-guaranteed hours contracts is that they do not guarantee a minimum or fixed number of working hours.

In some countries, non-guaranteed hours contracts may be further classified as either permanent or temporary according to national legislation. Hence, in these countries the undertaking reports those non-guaranteed hours employees under paragraph 50 (b)(iii) and also under paragraph 50 (b)(i) or (ii). The provision of contextual information in ESRS S1 paragraph 50 (e) requires explaining how the information is reported; for example, the undertaking would describe if non-guaranteed hours employees are also included within the permanent and temporary datapoints.

Question ID 32 – Methodology for presenting information on employees

Release date

May 2024

Question asked

- (1) Are both FTE and head count figures to be reported?
- (2) Can FTE be used as a proxy for head counts if 99% of the workforce is full-time?

ESRS reference

ESRS S1 paragraphs 50 (a), (b) and (d); 52 (a) and (b); 55 (b)(i); AR 55; and 34

Key terms

Methodology to compile data; FTE

Background

The question received: ‘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 to users?’ has been reworded to the above question to be clearer.

ESRS S1 Disclosure Requirement S1-6 on the 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 facilitates 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 the number of employees is consistent with ESRS 2 SBM-1 paragraph 40 (a)(iii) whereby head count data is also required.

ESRS S1 Disclosure Requirement S1-6 (paragraph 50 (b)) allows the undertaking to choose between two methodologies to calculate the number of employees, which are either by head count or full-time equivalent (FTE) of:

- (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 AR 55, Table 3 and Table 4 provide the relevant tables to present this information in (Table 3: ‘Template for presenting information on employees by contract type, broken down by gender (head count or FTE)’; and Table 4: ‘Template for presenting information on employees by contract type, broken down by region (head count or FTE)’).

ESRS S1 paragraph AR 60 states: ‘Where data is not available for detailed information, the undertaking shall use an estimation of the employee number or ratios, in accordance with ESRS 1, and clearly identify where the use of estimates has taken place.’

Answer

1. Are both FTE and head count figures to be reported?

The datapoint on the total number of employees (ESRS 1 paragraph 50 (a)) shall be reported in terms of head count, since head count 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).

Recognizing that it is common in some countries to report detailed employee information in full-time equivalent (FTE) terms, S1-6 allows undertakings the option to report other datapoints (permanent, temporary and non-guaranteed hours contract types as well as full- and part-time contract types) in either head count or full-time equivalent (FTE) terms.

According to ESRS S1 paragraph 50 (b) and paragraph 52 (a)(b), the undertaking has two options to report information on employees by contract type: head count or full-time equivalent. (ESRS S1 paragraph AR 55, tables 3 and 4 contain the templates that undertakings shall use to disclose this information.)

The option to report employee numbers with either head count or FTE metrics is explicitly allowed only in S1-6 and in S1-7 when reporting on non-employees within own workforce. For the other metrics in ESRS S1 (i.e., from ESRS S1-8 to ESRS S1-17), the disclosure 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 is full-time?

For ESRS S1 paragraph 50 (a), there is no option with respect to the unit of account. The undertaking is expected to comply with the text of ESRS by providing a figure according to the unit of account as defined in the Disclosure Requirement. Still, an undertaking may refer to ESRS S1 paragraph AR60 on the use of estimates and ratios.

Question ID 365 - Significant employment

Release date

May 2024

Question asked

Please confirm that ESRS S1 paragraph 50 (a) should be read as disclosing on countries with at least 10% of employees, not EITHER 50 OR 10%: ‘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.’

ESRS reference

ESRS S1 paragraph 50 (a), and AR54

Key terms

Significant employment

Background

ESRS S1-6 paragraph 50 (a) requires the disclosure of the following information: ‘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.’ ESRS S1 paragraph AR54 explains that the ‘number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and workers’ representatives, both in the Union labour acquis and in national law.’ This concept of significant employment is furthermore clarified in Disclosure Requirement S1-8. ESRS S1 paragraph 60 (b) defines significant employment as ‘at least 50 employees by head count representing at least 10% of its total number of employees.’

Answer

The breakdown by country must be disclosed for countries where at least 10% of the undertaking’s employees are employed and the number of employees is at least 50, i.e. both threshold conditions need to be met.

ESRS 1 paragraph 50 (a) requires different types of employee information:

- (a) the total number of employees by head count; and
- (b) 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.

As illustrated by Table 1 in ESRS S1 paragraph AR 55, the gender breakdown applies to all employees, i.e., the minimum employment threshold at the country level for reporting does not apply to this. As illustrated in Table 2 in ESRS S1 paragraph AR 55, the number of employees at the country level is to be reported; however, this reporting is mandatory only for countries in which both threshold conditions apply.

Question ID 430 – Definition of Gender

Release date

November 2024

Question asked

Many datapoints in the S1 have to be broken down by gender. Which definition of ‘gender’ is used in the ESRS? Is it only the female-male categories or should answers contain a third, ‘diverse’ category or more categories when breaking down information by gender?

ESRS Reference

ESRS S1 paragraph 50(a), ESRS S1 paragraph AR55

Key terms

Sex, breakdown; male; female

Background

ESRS S1 paragraph 50(a) requires a disclosure of ‘the total number of employees by head count, and breakdowns by gender’ ESRS S1 paragraph AR 55 provides a template for presenting information on employee head count by gender (Table 1) and explains: ‘In some Member States it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorised as “other” in the table above. However, if the undertaking is disclosing data about employees where this is not possible, it may explain this and indicate that the “other” category is not applicable.’

Answer

ESRS do not define gender, but they acknowledge the legal existence of three categories: female, male and other. The disclosure templates in ESRS S1 AR 55 correspond to Disclosure Requirement S1-6, therefore containing these three categories as well as a provision for reporting about countries that do not legally recognise a third gender category. Unless otherwise stated, and provided that the reporting undertaking reports these three categories already under Disclosure Requirement S1-6, these categories must be used when Disclosure Requirements in ESRS S1 require, or give the option of, the disaggregation of a quantitative indicator by gender.

ESRS S1-7 Characteristics of non-employee workers in the undertakings' own workforce

Question ID 33 - Definition of non-employees

Release date

February 2024

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 paragraphs 50 (a), 55 (a), 4, and AR 3

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 who fall within the category of non-employees and are included within ‘own workforce’; these are (a) contractors (self-employed persons) 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

Since there is no definition of ‘employee’ provided under EU law, the status as an employee is determined at the national level according to national laws and practice (employees are individuals who are ‘in an employment relationship with the undertaking according to national law and practice’).

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

ESRS S1-8 Collective bargaining coverage and social dialogue

Question ID 215 - Social dialogue global percentage

Release date

March 2024

Question asked

Can you clarify the ‘global percentage reported at the country level’ in ESRS S1 paragraph 63?

ESRS reference

ESRS S1 paragraphs 63, AR 69 and AR 70

Key Terms

Social dialogue; employees - global percentage; significant employment

Background

ESRS S1 paragraph 63 states: ‘The undertaking shall disclose the following information in relation to social dialogue: (a) the global percentage of employees covered by workers’ representatives, reported at the country level for each EEA country in which the undertaking has significant employment . . .’

ESRS S1 paragraph AR 69 specifies that, ‘for calculating the information required by paragraph 63 (a), the undertaking shall identify in which EEA countries it has significant employment (i.e., at least 50 employees representing at least 10% of its total employees). For these countries it shall report the percentage of employees in that country which are employed in establishments in which employees are represented by workers’ representatives.’

ESRS S1 paragraph AR 70 provides a template for reporting on collective bargaining coverage and social dialogue, specifying that it applies to ‘EEA countries only.’

Answer

The term ‘global’ refers to the total or overall percentage of employees in a specific EEA country working in establishments (e.g., factories, branches) with workplace representation, based on the International Labour Organisation’s (ILO) definition of workers’ representatives. Workplace representation enables social dialogue at the establishment level, which is different from social dialogue at the group, sectoral, national or EU level. As an undertaking may have several establishments in one country, the aim of this metric is to obtain the overall percentage of employees with workplace representation for each EEA country where the undertaking has significant employment (i.e., at least 50 employees representing at least 10% of its total employees).

ESRS S1 paragraph AR 70 provides a template to present this information in. The column under the heading ‘Social dialogue’ provides an example of how an undertaking with significant employment in two EEA countries (country A and country B) can report this data point.

Question ID 376 - Definition of collective bargaining

Release date

May 2024

Question asked

Please provide a definition of collective bargaining agreement.

ESRS reference

Disclosure Requirement S1-8

Key terms

Collective bargaining agreement; working conditions

Background

Annex II of the Delegated Regulation defines collective bargaining as follows: ‘All negotiations which take place between an employer, a group of employers or one or more employers’ organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i. determining working conditions and terms of employment; and/or ii. regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a worker’s organisation or workers’ organisations.’

Answer

Annex II Acronyms and Glossary of Terms provides a definition of collective bargaining (see above in the background section) based on ILO Convention 154 on Collective Bargaining:

Collective bargaining agreements are understood as written agreements resulting from collective bargaining, as defined above in the background section (in line with ILO Collective Agreements Recommendation No. 91).

ESRS S1-10 Social protection

Question ID 730 – Type of employee and social protection

Release date

November 2024

Question asked

What does ‘type of employee’ mean for the purposes of Disclosure Requirement ESRS S1-11 Social Protection?

ESRS Reference

ESRS S1 paragraph 75, ESRS S1 paragraph 50(b)

Key terms

Type of employee; social protection

Background

The question received was: ‘What do they mean by type of employee?’. It was reworded to the above question for clarity.

ESRS S1 paragraph 75 states: ‘If not all of its employees are covered by social protection in accordance with paragraph 72, the undertaking shall in addition disclose the countries where employees do not have social protection with regard to one or more of the types of events listed in paragraph 72 and for each of those countries the types of employees who do not have social protection with regard to each applicable major life event.’

ESRS S1 paragraph 50(b) states: ‘In addition to the information required by paragraph 40(a)(iii) of ESRS 2 *General Disclosures*, the undertaking shall disclose: (b) the total number by head count or full time equivalent (FTE) of: (i) permanent employees, and breakdown by gender; (ii) temporary employees, and breakdown by gender; and (iii) non-guaranteed hours employees, and breakdown by gender.’

Answer

‘Type of employee’ refers to the contract type (ESRS S1 paragraph 50 (b)). This includes permanent employees, temporary employees and non-guaranteed hours employees.

ESRS S1-11 Social protection

Question ID 339 – Use of secondary data and social protection

Release date

November 2024

Question asked

May estimates or secondary data also be used for social topics if they concern social protection on own workforce?

ESRS Reference

ESRS S1 paragraph 74, ESRS S1 paragraph 75

Key terms

Social protection; secondary data; estimates

Background

ESRS S1 paragraph 74 states: ‘The undertaking shall disclose whether all its employees are covered by social protection, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events: (a) sickness, (b) unemployment starting from when the own worker is working for the undertaking, (c) employment injury and acquired disability, (d) parental leave; and (e) retirement. If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.’

ESRS S1 paragraph 75 states: ‘If not all of its employees are covered by social protection in accordance with paragraph 72, the undertaking shall in addition disclose the countries where

employees do not have social protection with regard to one or more of the types of events listed in paragraph 72 and for each of those countries the types of employees who do not have social protection with regard to each applicable major life event.'

Answer

No, estimates or secondary data may not be used to determine whether an undertaking's employees are covered by social protection for this non-quantitative datapoint. Whether employees are covered by social protection depends on public programs or benefits offered by the undertaking (ESRS S1 paragraph 74). This information arises from the legal frameworks of the various countries as well as contractual benefits provided by the undertaking to its employees. Therefore, this information does not relate to quantitative metrics or value chain data, for which the use of estimates may be appropriate (refer to ESRS 1 Chapter 5.2 and Chapter 7.2). However, this does not rule out that some interpretation by the reporting undertaking may be needed when compiling the information, for example, when laws about health insurance in a country in which the undertaking operates are not perfectly clear about the kinds of illness that are covered.

Question ID 453 – Social protection and parental leave

Release date

November 2024

Question asked

Is the requirement (d) concerning parental leave in ESRS S1 Disclosure Requirement S1-11 only fulfilled if both female and male employees are granted this kind of leave?

ESRS Reference

ESRS S1 Disclosure Requirement S1-11; ESRS S1 paragraphs 74 (d) and AR 96 (c)

Key terms

Parental leave

Background

ESRS S1 paragraph 74 states: 'The undertaking shall disclose whether all its employees are covered by social protection, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events: (a) sickness, (b) unemployment starting from when the own worker is working for the undertaking; (c) employment injury and acquired disability, (d) parental leave; and (e) retirement. If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.'

ESRS S1 paragraph AR 96 states: 'Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as: ...'

- (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State.'

Answer

Yes, the requirements of ESRS S1 Disclosure Requirement S1-11 are only fulfilled if both female and male employees are covered by social protection provisions for parental leave programs (either public or offered by the undertaking) on the grounds of birth or adoption of a child. By definition, parental leave is granted to parents on the grounds of the birth or adoption of a child to take care of that child (who is considered to be a parent depends on national law). For more information on family-related leave, including parental leave, see ESRS S1 Disclosure Requirement S1-15 and the related ID 340 *Entitlement to family-related leave*.

Supporting Material

Directive (EU) 2019/1158 on work-life balance for parents and carers ensures minimum rights for paternity, parental and carers' leave. Parental leave is defined in Article 3(b) as 'leave from work for parents on the grounds of the birth or adoption of a child to take care of that child.' Member States have the competence to define marital and family status and to establish who is considered to be a parent, a mother and a father (Recital 18).

ESRS S1-12 Persons with disabilities

Question ID 473 – Restrictions due to national regulations

Release date

November 2024

Question asked

We think that disclosing ESRS S1 paragraph 88 (e) 'the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health' of non-employees would be non-compliant and against the law in Japan. Is it not against the law under European law? How should we deal with such disclosure?

ESRS Reference

ESRS S1 paragraphs 79 and 88 (d) and (e)

Key terms

Data collection; data protection

Background

ESRS S1 paragraph 79 states: 'The undertaking shall disclose the percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data.'

ESRS S1 paragraph 88 states: ‘The disclosure required by paragraph 86 shall include the following information, where applicable broken down between employees and non-employees in the undertaking’s own workforce: ...

- (d) with regard to the undertaking’s employees, the number of cases of recordable work-related ill health, subject to legal restrictions on the collection of data; and
- (e) with regard to the undertaking’s employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health.’

Answer

The datapoints mentioned by the submitter relate to the SFDR principal adverse impacts.⁴

In some countries (especially outside the EEA), there may be restrictions on data collection of employees. ESRS S1 acknowledges such restrictions for two specific datapoints but not as a general principle; in particular, such provision is in ESRS S1 Disclosure Requirement S1-12, on persons with disabilities as well as ESRS S1 Disclosure Requirement S1-14 (d) on work-related ill health and (e) on the days lost to work-related ill health and fatalities from ill health. For these datapoints, where there is a conflict with national data protection law, it is not necessary to report on the relevant datapoints Contextual information as described in ESRS 1 paragraph AR 76 can be added for more transparency.

ESRS S1-14 Health and safety metrics

Question ID 271 and ID 287– Difference between work-related accident and work-related injury

Release date

November 2024

Question asked

ID 271: What is the difference between work-related accident and work-related injury?

ID 287: What is the difference between an ‘accident’ and an ‘injury’, and how should I count a ‘case’?

ESRS reference

ESRS S1 paragraph 86; ESRS S1 paragraph 88(b)(c)(d)(e); ESRS S1 paragraph AR83, ESRS S1 paragraph AR89, ESRS S1 paragraph AR91

⁴ The applicable datapoint relates to SFDR Indicator number 3 in Table 3 of Annex I.

Key terms

Work-related injuries, rate of recordable work-related accidents

Background

ESRS S1 paragraph 86 states: ‘the undertaking shall disclose ... the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce. In addition, it shall disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking’s sites.’

ESRS S1 paragraph 88 states: ‘The disclosure required by paragraph 86 shall include the following information, where applicable, broken down between employees and non-employees in the undertaking’s own workforce: ... (b) the number of fatalities as a result of work-related injuries and work-related ill health; (c) the number and rate of recordable work-related accidents ... (d) ... the number of cases of recordable work-related ill health ... (e) ... the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health.’

ESRS S1 paragraph AR 89 states: ‘In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1 000 000. Thereby, these rates represent the number of respective cases per one million hours worked. A rate based on 1 000 000 hours worked indicates the number of work-related injuries per 500 full time people in the workforce over a 1-year timeframe. For comparability purposes a rate based on 1 000 000 hours worked shall be used also for undertakings with less than 500 people in the workforce.’

ESRS S1 paragraph AR 91 states: ‘An undertaking shall include fatalities as a result of work-related injuries in the calculation of the number and rate of recordable work-related injuries.’

Annex II *Acronyms and Glossary of Terms* defines ‘recordable work-related injury or ill health’ as a ‘work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.’

Answer

A work-related injury is one of the possible consequences of a work-related accident. This is explained in the definition of ‘work-related incident’ provided in Annex II *Acronyms and Glossary of Terms*: ‘Occurrence arising out of or in the course of work that could or does result in injury or ill health ... An incident that results in injury or ill health is often referred to as an “accident”. An incident that has the potential to result in injury or ill health but where none occurs is often referred to as a “close call”, “near-miss”, or “near-hit”.’

ESRS S1 paragraph 88 (c) requires a disclosure of the number and rate of recordable work-related accidents, which includes accidents that result in work-related injuries and accidents that result in work-related ill health. ESRS S1 paragraph AR 89 provides guidance on how to calculate the

rate of work-related injuries based on the number of cases of work-related injuries. ESRS S1 paragraph AR 91 specifies that fatalities as a result of work-related injuries should also be included in the disclosure of ESRS S1 paragraph 88 (c).

To sum up, work-related incidents that result in work-related injury or ill health are work-related accidents. Work-related accidents therefore include cases of both work-related injuries, including work-related injuries that result in fatalities and cases of work-related ill health. To note, only the cases of work-related ill health that occur as a result of accidents need to be considered. The absolute number of recordable work-related accidents required by ESRS S1 paragraph 88(c) must therefore include cases of both work-related injuries and work-related ill health.

Question ID 352 - Work-related ill health and fatalities from ill health

Release date

May 2024

Question asked

With regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health': Why is 'work-related' not mentioned in the last part of the data point (fatalities from ill health) but is attached to every other breakdown of this data point?

ESRS reference

ESRS S1 paragraphs 86 and 88 (e)

Key terms

Days lost; work-related; fatalities

Background

ESRS S1 paragraph 86 condenses the idea that: 'The undertaking shall disclose information on ... the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce.'

ESRS S1 paragraph 88 states: 'The disclosure required by paragraph 86 shall include the following information, where applicable broken down between employees and non-employees in the undertaking's own workforce: ...

- (e) with regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health.'

The definition for recordable work-related injury or ill health as provided in Annex II *Acronyms and Glossary of Terms* also does not repeatedly refer to 'work-related' ill health: 'work-related injury or ill health that results in any of the following: i. death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or

ii. significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.'

Answer

The objective of this Disclosure Requirement defines the information to be disclosed under ESRS S1 Disclosure Requirement S1-14 and it describes fatalities to be disclosed that are the result of work-related injuries and work-related ill health. Hence, ESRS S1 paragraph 88 (e) refers to work-related ill health.

Question ID 473 – Restrictions due to national regulations

[Question ID 473 – Restrictions due to national regulations](#)

ESRS S1-15 Work-life balance

Question ID 340 – Entitlement to family-related leave

Release date

May 2024

Question asked

Does the metric 'family-related leave' presume that an employee is entitled to every concept of family-related leave?

ESRS reference

ESRS S1-15 paragraphs 93, AR96, and AR97

Key terms

Work-life balance; entitlement to take family-related leave

Background

Family-related leave is addressed in ESRS S1 Disclosure Requirement S1-15; specifically, ESRS S1 paragraph 93 requires a disclosure of '(a) the percentage of employees entitled to take family-related leave ...'

The relevant definitions can be found in ESRS S1 paragraph AR 96, explaining that 'family-related leave includes maternity leave, paternity leave, parental leave and carer's leave that is available under national law or collective agreements. For the purposes of this Standard, these concepts are defined as:

- (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);

- (b) paternity leave: leave from work for fathers or, where and insofar as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;
- (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;
- (d) carer's leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.'

Furthermore, ESRS S1 paragraph AR 97 clarifies: '... employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.'

Answer

Yes, family-related leave is defined as including maternity leave, paternity leave, parental leave and carer's leave (ESRS S1 paragraph AR 96). The focus of the Disclosure Requirement is family-related leave covered by regulations (for example, government's social protection), organisational policies, agreements, contracts or collective agreements (ESRS S1 paragraph AR97) that contain family-related leave entitlements. Such entitlements may differ at a country level.

Being entitled to take family-related leave would thus mean, based on national law or collective agreements, for female employees to be entitled to take maternity, parental and carer's leave and for male employees to be entitled to paternity, parental and carer's leave. The scope of family leave may vary across countries, and such contextual information may be relevant to users (for example, that employees are entitled to maternity leave but not to paternity leave in a given country). If based on national law or collective agreements female/male employees are not entitled to all the respective female/male types of family-related leave, then they would not qualify to be considered in the nominator of the metric.

Question ID 341 - Conditions for paternity, maternity, parental leave

Release date

May 2024

Question asked

What conditions must be met to consider an employee as being entitled to maternity or paternity or parental leave in the meaning of ESRS S1?

ESRS reference

ESRS S1-15 paragraphs 92, 93, and AR 97

Key terms

Work-life balance; family-related leave

Background

The objective of Disclosure Requirement S1-15 is two-fold. Firstly, it aims to: ‘provide an understanding of the entitlement and actual practices amongst the employees to take family-related leave.’ (ESRS S1 paragraph 92). ESRS S1 paragraph 93 (a) requires a disclosure of ‘(a) the percentage of employees entitled to take family-related leave.’ ESRS S1 paragraph 94 adds: ‘If all of the undertaking’s employees are entitled to family-related leave through social policy and/or collective bargaining agreements, it is sufficient to disclose this in order to meet the requirements of paragraph 93 (a).’

ESRS S1 paragraph AR 97 explains where the entitlement to family-related leave may derive from:

‘ . . . employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.’

The relevant definitions, in line with EU legislation on work-life balance, can be found in ESRS S1 paragraph AR 96, explaining: ‘Family-related leave include maternity leave, paternity leave, parental leave, and carers’ leave that is available under national law or collective agreements. For the purposes of this Standard, these concepts are defined as:

- (a) Maternity Leave (also called pregnancy leave): ‘employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);
- (b) Paternity Leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;
- (c) Parental Leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;
- (d) Carers’ Leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.’

Answer

The entitlement to family-related leave does not depend on any triggering conditions (i.e., as otherwise only pregnant employees would be entitled). Whether an employee is entitled to family-related leave depends on family-related leave provisions under national law or collective agreements (ESRS S1 paragraph AR96) where specific thresholds of minimum employment time periods may exist to become entitled.

Employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements. The scope of family leave entitlement may vary across countries, and such contextual information may be relevant to disclose to users.

ESRS S1-16 Remuneration metrics (pay gap and total remuneration)

Question ID 132 - Gender pay gap

Release date

March 2024

Question asked

Can you please specify if for the below indicators: the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees; should we include variable components of salary or only gross wage?

ESRS reference

ESRS S1-16 paragraphs 95, 97, and 98

Key Terms

Gender pay gap; gross wage; salary - variable components

Background

Annex II Acronyms and Glossary of Terms states the following:

'PAY: the ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind, which the worker receives directly or indirectly ("complementary or variable components") in respect of his/her employment from his/her employer. "Pay level" means gross annual pay and the corresponding gross hourly pay. "Median pay level" means the pay of the employee that would have half of the employees earn more and half less than they do'.

Disclosure Requirement S1-16 includes the following paragraphs on remuneration metrics (pay gap and total remuneration):

'95. The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.'

'97. The disclosure required by paragraph 95 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees . . .'

'98. The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 97 (a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components'.

ESRS S1 paragraph 97 includes additional information in a footnote as follows: 'The gender pay gap information supports the information needs of: financial market participants subject to

Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Unadjusted gender pay gap”); and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Weighted average gender pay gap” in Section 1 and 2 of Annex II.’

Answer

Complementary and variable components of the employee’s remuneration package form part of the calculation. Annex II Acronyms and Glossary of Terms defines ‘pay’ as the salary and other remuneration in cash or in kind that the employee directly or indirectly receives in respect of his/her employment.

ESRS S1-16 AR 98 describes the methodology to follow when calculating the gender pay gap required by ESRS S1-16 paragraph 97 (a). The value to be used in the ratio is the gross hourly pay level.

Question ID 387 - Scope of ESRS S1-16

Release date

May 2024

Question asked

ESRS S1-16 talks about employees but does not specify if it is only those that meet the inclusion criteria (at least 50 employees and 10% of total employment).

ESRS reference

ESRS S1-6 paragraph 50 (a); Disclosure Requirement S1-16

Key terms

Employees; gender pay gap; significant employees

Background

ESRS S1 Disclosure Requirement S1-16 paragraph 95 states: ‘The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.’

The key characteristics of the undertaking’s employees are to be reported on in ESRS S1 Disclosure Requirement S1-6, which serves as a basis for information required by other disclosure requirements. ESRS S1 paragraph 50 (a) requires the disclosure of ‘the total number of employees by head count’ as well as ‘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;’.

Answer

ESRS S1 Disclosure Requirement S1-16 and AR 98-102 specifically refer to including all employees by head count in the calculation. Undertakings may report additional information based on differentiating the pay gap by specific employee groups or country/segment, as specified in paragraph 98; however, there is no employment threshold specified for the voluntary reporting of this additional information.

Question ID 389 – Annual total remuneration ratio and types of workers

Release date

November 2024

Question asked

- (1) Should individuals on parental leave, long-term sick leave or long-term special leave who receive less than their regular total annual remuneration be excluded from the annual total remuneration calculation considering long-term leave as a consecutive period of at least three months?
- (2) When computing the annual total remuneration, do we consider the same salary components for both the highest paid individual and the employees (e.g. benefits in cash / benefits in kind)?

ESRS Reference

ESRS S1 paragraphs 97 (b) and (c), and AR 101

Key terms

Annual total remuneration

Background

ESRS S1 paragraph 97 states: ‘The disclosure required by paragraph 95 shall include: ...

- (b) the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual); and
- (c) where applicable, any contextual information necessary to understand the data and how the data has been compiled and other changes to the underlying data that are to be considered.’

ESRS S1 paragraph AR 101 states: ‘When compiling the information required by paragraph 97(b), the undertaking shall:

- (a) include all employees;
- (b) consider, depending on the undertaking's remuneration policies, all of the following:
 - i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;
 - ii. benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;
 - iii. benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and
 - iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).'

Answer

- (1) Should individuals on parental leave, long-term sick leave or long-term special leave who receive less than their regular total annual remuneration be excluded from the annual total remuneration calculation considering long-term leave as a consecutive period of at least three months?**

The annual total remuneration ratio shall include all employees, as explicitly stated in ESRS S1 paragraph AR 101 (a). The undertaking may disclose its methodology used to compute the remuneration ratio in ESRS S1 paragraph AR 102 and explain the number or percentage of individuals on leave as contextual information.

- (2) When computing the annual total remuneration, do we consider the same salary components for both the highest paid individual and the employees (e.g. benefits in cash / benefits in kind)?**

ESRS S1 paragraph AR 101 (b) further explains which types of remuneration shall be included in the calculation (depending on the undertaking's remuneration policies). The same components shall be considered for both the highest paid individual and the median total remuneration of employees.

Question ID 549 – Gender pay gap; collective wage agreements

Release date

November 2024

Question asked

May non-exempt employees of an employer who are bound by a collective wage agreement be omitted when calculating the gender pay gap (at least when broken down by employee category)?

ESRS Reference

ESRS S1 paragraphs 97 (a), (c), 98; and AR 98, AR 99

Key terms

Gender pay gap; collective wage agreements

Background

ESRS S1 paragraph 97 states: ‘The disclosure required by paragraph 95 shall include:

- (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees; ...
- (c) where applicable, any contextual information necessary to understand the data and how the data has been compiled and other changes to the underlying data that are to be considered.’

ESRS S1 paragraph 98 states: ‘The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 97 (a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.’

Answer

No, all male and female employees have to be included in the calculation of the gender pay gap regardless of whether they are covered by collective agreements or not.

Collective agreements can set equal levels of wages and benefits for both male and female employees (provided that all components of the definition of ‘pay’ are included in the calculation, the gender pay gap broken down by employee categories would be negligible). The undertaking may explain this when providing relevant contextual information under ESRS S1 paragraph 97 (c).

Question ID 689 – Gender Pay Gap and gender

Release date

November 2024

Question asked

Does gender pay gap only have to be calculated for ‘female’ and ‘male’ genders? If so, where should employees who have specified a different gender be categorised? Or is the calculation based on the gender categories ‘female’, ‘male’, ‘diverse’/‘other’?

ESRS Reference

ESRS S1 paragraphs 96, 97(c) and AR 98

Key Terms

Gender Pay Gap; gender

Background

ESRS S1 paragraph 96 states: ‘The objective of this Disclosure Requirement is twofold: to allow an understanding of the extent of any gap in the pay between women and men amongst the undertaking’s employees; and to provide insight into the level of remuneration inequality inside the undertaking and whether wide pay disparities exist.’

ESRS S1 paragraph AR 98(a) states: ‘When compiling the information required under paragraph 97(a) for the gap in pay between its female and male employees (also known as the “gender pay gap”), the undertaking shall use the following methodology: (a) include all employees’ gross hourly pay level ...’

Answer

Yes, the gender pay gap calculation explicitly requires the inclusion of male and female employees only. This is a SFDR PAI. There is no mention of ‘other employees’, as defined in ESRS S1 AR 55. Any contextual information in this regard may be provided according to ESRS S1 paragraph 97 (c), taking into account the general provision in ESRS 1 paragraph 11 in relation to entity-specific information.

Question ID 690 – Gender Pay Gap and Pay Transparency Directive

Release date

November 2024

Question asked

The guideline stipulates that deviations of more than 5% per employee category must be justified. How are these categories defined? If the reporting pay demonstrates a difference in the average pay level of at least 5 % in any category of workers, the employer needs to justify such a difference on the basis of objective, gender-neutral criteria – otherwise, joint pay assessment is necessary.

ESRS Reference

ESRS S1 Disclosure Requirement S1-16; ESRS 1 paragraph 114

Key Terms

Gender Pay Gap; Pay Transparency Directive

Background

ESRS S1 paragraph 97 (a) states: ‘The disclosure required by paragraph 95 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees.’

Answer

ESRS S1 paragraph 97 (a) requires disclosure of the gender pay gap and does not include any requirements for conducting or reporting on pay assessments, and it does not include any thresholds. The quote provided by the submitter stems from the Pay Transparency Directive and refers to the obligation to conduct a joint pay assessment (Article 10). It is not applicable to ESRS *per se*.

ESRS S1-17 Incidents, complaints and severe human rights impacts

Question ID 550 – Disclosure of discrimination/harassment cases found inconclusive

Release date

November 2024

Question asked

Is a company obliged to disclose a discrimination/harassment case that, upon investigation, was found to lack conclusive evidence supporting the allegations (and hence was considered closed without any supporting evidence)?

ESRS Reference

ESRS S1 paragraphs 103 (a) and AR 103

Key terms

Harassment; discrimination

Background

ESRS S1 paragraph 103 states: ‘The undertaking shall disclose:

- (a) the total number of incidents of discrimination, including harassment, reported in the reporting period; ...’

ESRS S1 paragraph AR 103 states: ‘In addition to the information required by paragraphs 103 and 104, the undertaking may disclose the status of incidents and/or complaints and actions with reference to the following:

- (a) incidents reviewed by the undertaking;

- (b) remediation plans being implemented;
- (c) remediation plans that have been implemented, with results reviewed through routine internal management review processes; and
- (d) incidents no longer subject to action.'

According to Annex II *Acronyms and Glossary of Terms*, the term ‘incident’ is used when there is ‘a legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.’

Answer

Yes, the total number of incidents of discrimination include all legal actions or complaints registered through a formal process or instances of non-compliance identified through established procedures (for example, grievance mechanisms). ESRS S1 paragraph AR 103 provides the option to disclose the status of incidents and/or complaints as well as the actions that the undertaking has taken. To note is that if the incident has been reported in the previous year, it shall not be reported again in the current year.

ESRS S2 Policies related to value chain workers

ESRS S2 Policies related to value chain workers

Question ID 356 – Sub-contractors Scope S1, S2

Release date

May 2024

Question asked

Are subcontractors included in own workforce, or are they to be included within the S2-disclosures?

ESRS reference

ESRS S1 paragraph 4; ESRS S1 paragraph 5

Key terms

Own workforce; workers in the value chain

Background

The question received, ‘Are sub-consultants included in own workforce, or are they to be included within the ESRS S2-disclosures?’ has been reworded into the above question to be clearer.

ESRS S1 paragraph 4 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.’

ESRS S1 paragraph 5 states: ‘This Standard does not cover workers in the undertaking’s upstream or downstream value chain; these categories of workers are covered in ESRS S2 Workers in the value chain.’

Answer

The definition of ‘non-employees’ only includes individual contractors supplying labour to the undertaking (self-employed people) and people provided by undertakings primarily engaged in employment activities (NACE Code N78). If they are not included in this definition, they shall be considered workers in the value chain (ESRS S2).

ESRS S3 Affected communities

ESRS S3 Affected communities

Currently no explanations for this ESRS.

ESRS S4 Consumers and end-users

ESRS S4 Consumers and end-users

Question ID 1026 – Definition of end users

Release date

November 2024

Question asked

Does the definition of end users include workers at the client?

ESRS Reference

ESRS S4; Annex II Acronyms and glossary of terms

Key terms

Accidents, work-related; business-to-business customers; consumers and end users; workers in value chain

Background

The following background was provided with the question: ‘If a company sells products B2B, is the potential impact on those individuals to be assessed under S2 or S4? For example, a harbor has ferry services and a truck driver who, having to use in their job a ferry to deliver goods, gets injured because of lack of security in the harbor. Is the impact on that driver to be assessed under S2 (because the truck driver is considered to be a worker in the downstream value chain) or S4 (because the truck driver is considered an end user)?’

The ESRS define end users as individuals ‘who ultimately use or are intended to ultimately use a particular product or service’. A value chain worker is defined as an ‘individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking’. This includes ‘all workers in the undertaking’s upstream and downstream value chain who are or can be materially impacted by the undertaking (see Table 2 of Annex II of ESRS)’.

ESRS S1 *Own Workforce*, Disclosure Requirement S1-14 deals with reporting requirements for work-related injuries and work-related cases of ill health, including those that involve workers from companies other than the reporting undertaking as well as cases of work-related injuries and ill health that happen during travel for working purposes. ESRS S1 paragraph 86 states that, apart from cases of work-related injury and ill health among its own workforce, the reporting undertaking must ‘also disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking’s sites’ (emphasis added). ESRS S1 paragraph AR 84 states that an undertaking must also report incidents that happen to its workforce while travelling for work, i.e. outside the undertaking’s own premises: ‘With regard to travelling for work purposes, injuries and ill health that occur while a person is travelling are work-related if, at the time of the injury or ill health, the person was engaged in work activities “in the interest of the employer”. Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer).’

Answer

ESRS define ‘end users’ as ‘individuals who ultimately use’ a product or service. In the fact pattern accompanying the question, which is reproduced in ‘Background’, this does not include workers of a business customer of the reporting undertaking. Those workers may use services offered by the undertaking, but they do so in the context of providing a service or producing a good on behalf of their employers. Typically, such workers should be considered value chain workers.

In general terms, there can be circumstances where an undertaking’s negative impacts are the same for workers in the value chain and end users. In any case, whatever the characteristics of each situation, the undertaking must avoid double-counting the same impact by reporting it once as an impact on its value chain workers and a second time as an impact on end users. When appropriate, disclosing the approach used as contextual information may provide useful information.

Questions related to Governance

ESRS G1 Business conduct

[ESRS G1 Business conduct](#)

Question ID 479 – Minimum disclosure requirements and ESRS G1

Release date

May 2024

Question asked

Do MDRs have to be applied for matters that are to be reported following the ESRS G1?

ESRS reference

ESRS G1; ESRS 2 Section 4.2 paragraphs 63 to 81

Key terms

Minimum disclosure requirements

Background

ESRS 2 Section 4.2, paragraph 60 states that Minimum Disclosure Requirements (MDR) should ‘. . . be included when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities (collectively, to “manage material sustainability matters”). They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical and sector-specific ESRS.’

ESRS 2 Section 4.2, paragraph 70 establishes that Minimum Disclosure Requirements ‘shall be included when the undertaking discloses information on its metrics and targets related to each material sustainability matter. They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical ESRS.’

All the MDRs that shall be read in conjunction with the relevant topical ESRS, including those affecting Policies, Actions, Targets and Metrics, are established in paragraphs 63 to 81 of ESRS 2.

Answer

The MDRs from paragraphs 63 to 81 in ESRS 2 shall be applied with respect to Policies, Actions, Targets and Metrics in G1 irrespective of the fact that there is no cross-reference in the topical standard.

ESRS G1-4 Incidents of corruption or bribery

Question ID 417 - Convictions

Release date

May 2024

Question asked

What is the definition to be used for ‘convictions’? It could be different things: Number of convictions of proceeding that are still open? Or started in the reporting year? Closed in the reporting year? Appeal concluded? Not subject to appeal anymore?

ESRS reference

ESRS G1-4 paragraph 24 (a)

Key terms

Convictions

Background

ESRS G1 paragraph 24 states that: ‘The undertaking shall disclose:

- (a) the number of convictions and the amount of fines for violation of anti-corruption and anti- bribery laws; and
- (b) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.’

Based on EU Law and on the European Criminal Records Information System (ECRIS), the term ‘conviction’ is defined as ‘any final decision of a criminal court against a natural person in respect of a criminal offence, to the extent that the decision is entered in the criminal records of the convicting Member State’.

Answer

ESRS G1 uses the definition of ‘convictions’ derived from European Law. Based on EU Law and on the European Criminal Records Information System (ECRIS), the term conviction is defined as ‘any final decision of a criminal court against a natural person in respect of a criminal offence, to the extent that the decision is entered in the criminal records of the convicting Member State’.

Therefore, the disclosure requirement applies to the number of convictions that fulfil the definition of a final decision of a criminal court. This is understood in the general sense of the term, i.e., that of the court of the first instance. This approach has the advantage of including all the convictions in the reporting while awaiting the outcome of a possible appeal. The reporting undertaking may provide additional information if an appeal is considered, has been lodged or was successful as this would be relevant information to users.

Question ID 800 – Corruption and Bribery

Release date

November 2024

Question asked

Does an undertaking need to disclose the total number of incidents of corruption and the total number of incidents of bribery, or is there some additional data needed about the ‘nature’ of each type of incident?

ESRS Reference

ESRS G1-4 paragraphs 24 and 25

Key terms

Corruption; bribery

Background

ESRS G1 paragraph 24 states: ‘The undertaking shall disclose:

- (a) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws; and
- (b) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.’

ESRS G1 paragraph 25 states: ‘The undertaking may disclose:

- (a) the total number and nature of confirmed incidents of corruption or bribery ...’

Answer

There is no requirement to distinguish between convictions or fines for corruption and those for bribery in paragraph 24 of ESRS G1. Additional information about the nature of the conviction or fine is voluntary.

‘Confirmed incidents of corruption/bribery’ is the subject of voluntary disclosures per paragraph 25 of ESRS G1, which requires disclosure of the nature. There is no concept of ‘incidents of corruption or bribery’ in ESRS.

ESRS G1-5 Political influence and lobbying activities

Question ID 510 – ESRS G1-5 Indirect political contributions and lobbying activities

Release date

May 2024

Question asked

In ESRS G1-5, what is the dividing line between ‘indirect political contributions’, whose financial or in-kind amounts must be disclosed according to paragraph 29 (b)(i) and AR 10, and ‘lobbying activities’, whose financial or in-kind amounts may be disclosed as per AR 12?

ESRS reference

ESRS G1-5 paragraphs 29 (b), AR 10, and AR 12

Key terms

Political contributions, lobbying activities

Background

The concept of ‘political contributions’ is defined in AR 9 of ESRS G1-Business Conduct. This paragraph states that political contributions refer to support provided directly to political parties, their elected representatives or persons seeking political office.

The concept ‘indirect political contributions’ is defined in AR 10 of ESRS G1-Business Conduct. This paragraph states that these refer to ‘those political contributions made through an intermediary organisation such as a lobbyist or charity, or support given to an organisation such as a think tank or trade association linked to or supporting particular political parties or causes.’

GRI, in its standard 415: Public Policy defines ‘indirect political contributions’ as ‘financial or in-kind support to political parties, their representatives, or candidates for office made through an intermediary organization such as a lobbyist or charity, or support given to an organization such as a think tank or trade association linked to or supporting particular political parties or causes.’

The ESRS and GRI refer to ‘indirect political contributions’ as contributions linked to political parties and political causes.

On the other hand, ‘lobbying activities’ as defined in Annex II of ESRS refer to ‘activities carried out with the objective of influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, regulators, European Union institutions, bodies, offices and agencies or standard setters.’

Answer

Political contributions support political parties and/or election campaigns in their respective political causes, and they can be direct or indirect. Indirect political contributions are made on
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behalf of a company by an intermediary organisation, such as a think tank, a business association or a charity. While political contributions are most commonly financial, e.g., donations, event sponsorships or purchases of tickets at campaign or fundraising events, they can also be non-financial ('in kind'), e.g., providing certain services like printing of posters, website design or permission to use facilities.

Lobbying, on the other hand, is about influencing policies, political decisions, laws and other regulations, usually when they are being drafted or prepared but also in the implementation stage. The typical targets of lobbying activities are therefore decision-makers in governments and ministries, supervisory authorities and other government agencies as well as members of parliaments and/or their assistants. Lobbying, too, can take direct or indirect forms. In the latter case, the company entrusts the lobbying to a specialised service provider or to a not-for-profit intermediary such as a business association.

Question ID 560 – Beneficiary of political contributions

Release date

May 2024

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 the 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 paragraph 29 (b)

Key terms

Political contributions, beneficiary

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.

ESRS G1-6 Payment practices

Question ID 419 – Legal proceedings currently outstanding for late payments

Release date

May 2024

Question asked

Regarding the number of currently outstanding legal proceedings for late payments, are you referring to ‘currently outstanding’ that remained opened in the reporting year or also closed in the reporting year?

ESRS reference

ESRS G1 paragraph 33 (c)

Key terms

Late payments; legal proceedings

Background

ESRS G1 paragraph 33 (c) refers to the ‘number of legal proceedings currently outstanding for late payments’ when stating what the disclosure under paragraph 31 shall include, under G1-6 Payment Practices.

Answer

The Disclosure Requirement refers specifically to those legal proceedings that have not been legally resolved at year-end. Further information or additional remarks regarding closed legal proceedings related to late payments during the year may be disclosed under ESRS G1 paragraph 33 (d), which states that the undertaking shall disclose ‘complementary information necessary to provide sufficient context’.

Question ID 444 - Payment practices

Release date

May 2024

Question asked

Regarding the DR on payment practices in G1-6, is the information on payment practices only expected regarding SMEs or a wider range of suppliers?

ESRS reference

ESRS G1-6

Key terms

Payment practices; late payments

Background

ESRS G1 paragraph 2 presents the list of matters covered in the standard, which are collectively referred to as ‘business conduct or business conduct matters’. Paragraph 2 (b) clarifies that ‘the management of relationships with **suppliers**, including payment practices, especially with regard to late payments to small and medium-sized undertakings’.

Disclosure Requirement G1-6 paragraph 31 states that ‘the undertaking shall provide information on its payment practices’.

ESRS G1 paragraph 32 states that ‘The objective of this Disclosure Requirement (G1-6) is to provide insights on the contractual payment terms and on its performance with regard to payment, especially as to how these impact SMEs and specifically with respect to late payments to SMEs.’

Answer

The information on payment practices is not limited to SMEs but regarding all suppliers.

However, the list of ‘shall’ data points in ESRS G1 paragraph 33 has to be read in the context of the disclosure objective, which refers ‘especially’ to SMEs. Undertakings are expected, as part of ESRS G1 paragraph 33 (d), to provide complementary information, if material, to provide sufficient context, including information on payment practices specific to SMEs; for example, because there are significant differences in payment practices vis-a-vis large and SME business partners.

Questions related to XBRL and datapoints

Question ID 326 – Implementation of datapoints

Release date

May 2024

Question asked

Why are some ESRS paragraphs and Application Requirements (AR) implemented as separate datapoints in IG 3 *List of ESRS Datapoints* and some are not?

ESRS reference

IG 3 *List of ESRS Data Points*

Key terms

List of datapoints

Background

ESRS 1 paragraph 16 states: ‘ESRS structure the information to be disclosed under Disclosure Requirements. Each Disclosure Requirement consists of one or more distinct datapoints. The term “datapoint” can also refer to a narrative sub-element of a Disclosure Requirement.’

ESRS 1 paragraph 18 states: ‘ESRS use the following terms to distinguish between different degrees of obligation on the undertaking to disclose information:

- (a) “shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint;
- (b) “may disclose” – indicates voluntary disclosure to encourage good practice.

In addition, ESRS use the term “shall consider” when referring to issues resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure if applicable.’

IG 3 *List of ESRS Data Points – Explanatory note* 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 data points – 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 – Explanatory note* (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 similar to ‘shall disclose’, ‘shall describe’ or ‘may disclose’. All paragraphs of ESRS 1, and some paragraphs and Application Requirements of the other topical ESRS, provide objectives, methodological guidance or other guidance that are to be considered when preparing or disclosing sustainability statements according to ESRS. Those paragraphs are not implemented as separate datapoints.

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

- (a) ESRS E1 paragraph 36: Not a datapoint because it describes the objective of the disclosure requirement E1-5 on Energy Consumption.
- (b) ESRS E1 paragraph AR 36: Not a data point because it provides calculation guidance on the energy consumption.
- (c) ESRS E1 paragraph AR 38, implemented as separate data point, due to the character of the Application Requirement which defines how the reconciliation of net revenue from activities in high climate impact sectors to the relevant financial statements line item or disclosure may be presented.
- (d) Application Requirements that are part of the narrative disclosure of their associated Disclosure Requirements or datapoint are not designated as separate datapoints. An example would be ESRS E1 paragraph 20 (a) and the related AR 9, detailing the information to be provided under ESRS E1 paragraph 20 (a).
- (e) Application Requirements marked with ‘*shall consider*’ have not been included as separate datapoints, e.g., ESRS 2 paragraph AR 14 relating to ESRS 2 paragraph 42.

Appendix I: Table of ID release date

The date IDs were issued by EFRAG is as follows:

November 2024

- [ID 177 - Mapping of sustainability matters to topical disclosures \(Q&A ID 177\)](#)
- [ID 271 – Difference between work-related accident and work-related injury](#)
- [ID 283 - Is waste incineration a disposal operation](#)
- [ID 339 - Use of secondary data, social protection](#)
- [ID 389 – Annual total remuneration ratio and types of workers](#)
- [ID 400 – recycled waste](#)
- [ID 408 – Categorisation of waste streams](#)
- [ID 430 - Definition of gender](#)
- [ID 434 - Difference non-employees, value chain workers](#)
- [ID 438 - Treatment of non-material datapoints](#)
- [ID 453 – Social protection; parental leave](#)
- [ID 455 – Contextual information and consolidated data for water consumption](#)
- [ID 456 - Policies on water treatment](#)
- [ID 472 - Major incidents and deposits](#)
- [ID 473 - Restrictions due to national regulations](#)
- [ID 526 and ID 1021 – Disclosure of a non-material datapoint \(water-consumption in own operations\) related to a \(a\) material and \(b\) non-material topic](#)
- [ID 531 - Base year](#)
- [ID 549 - Gender pay gap; collective wage arrangements](#)
- [ID 550 - Disclosure of discrimination / harassment cases found inconclusive](#)
- [ID 619 – Air emissions in ESRS E2 versus ESRS E1](#)
- [ID 644 - Limits of fossil fuel sector](#)
- [ID 648 - Substances of \(very high\) concern - including entity-specific disclosures](#)
- [ID 653 - Microplastics - tires wear](#)
- [ID 676 – Water metrics in the value chain](#)
- [ID 689 – Gender Pay Gap; Gender](#)
- [ID 690 – Gender Pay Gap; Pay Transparency Directive](#)
- [ID 713 and ID 928 – Microplastics – definition and REACH update](#)
- [ID 730 – Type of employee, social protection](#)

- [ID 734 - Disclosure of progress in meeting climate-related targets](#)
- [ID 753 - Financial materiality in the value chain and power purchase agreements](#)
- [ID 776 – Pollutants emissions – granularity](#)
- [ID 800 - Corruption and Bribery](#)
- [ID 815 – Substances of concern – in articles](#)
- [ID 831 - Contractual instruments](#)
- [ID 832 – Pollutants emissions – changes over time](#)
- [ID 873 - Transport of removed GHGs](#)
- [ID 882 – Data availability for biogenic emissions in Scope 3](#)
- [ID 893 - Conversion factor fossil fuels](#)
- [ID 905 - Manufacture of chemicals / pesticides and other agrochemical products](#)
- [ID 923 - Phase-in entity specific disclosure](#)
- [ID 935 - Financial effects - current vs anticipated](#)
- [ID 952 – Metrics - rounding and decimals; materiality of information](#)
- [ID 953 – Mandatory disclosures of material metrics on Biodiversity](#)
- [ID 968 – Ecolabel](#)
- [ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1](#)
- [ID 1019 – Sustainability matter expected to become material in the future](#)
- [ID 1025 – Direct drivers of biodiversity loss – definition](#)
- [ID 1026 – Definition of end-users](#)
- [ID 1039 – time horizon - only long-term material](#)
- [ID 1047 – Conditions for incorporation by reference and content index](#)
- [ID 1048 – Disclosure of datapoint\(s\) related to a non-material Disclosure Requirement for a metric](#)
- [ID 1054 - short-term, length of the period](#)
- [ID 1056 – MDR-Actions and resources allocated](#)
- [ID 1060 – Pollution - affected communities consultations](#)
- [ID 1072 - DR GOV-1 - ESG expertise of governance bodies](#)
- [ID 1090 – Length of transitional provisions for early adopters](#)
- [ID 1115 – Disclosing the number and area of sites near or in biodiversity-sensitive areas](#)
- [ID 1126 – Heating values and geographical location of undertaking](#)
- [ID 1136 - Targets without policy](#)
- [ID 1144 - Phase-in 750 employees: Calculation of average](#)

[ID 1172 – Disclosure of the area of sites in or near biodiversity-sensitive area](#)

[ID 1297 – Level of disaggregation](#)

July 2024

[ID 29 and ID 261 – ‘May’ and ‘shall’ reporting requirements](#)

[ID 245 – Climate-risk analysis](#)

[ID 268 – GHG emissions, annual update](#)

[ID 338 – Activities in high-climate impact sectors](#)

[ID 395 – Revenue/net revenue](#)

[ID 414 – Disaggregation of total emissions](#)

[ID 422 – Assets at risk, disclosure of monetary amount](#)

[ID 429 – Entity-specific and ESRS 2 Disclosure Requirements](#)

[ID 432 – Net zero target and GHG removals](#)

[ID 535 – Emission trading schemes](#)

[ID 536 – Carbon credit – Quality standard](#)

[ID 555 – Financial effects and climate risk](#)

[ID 577 – GHG removals – project definition](#)

[ID 636 – Definition of types of removals](#)

[ID 698 – Database for GHG emission factors](#)

[ID 718 – Disaggregation of GHG emissions](#)

[ID 728 – Representation of employees and other workers](#)

[ID 733 – Overlap of ESRS 2 and topical standards](#)

[ID 762 – Location of policies, actions and targets in the sustainability report](#)

[ID 781 – General Meeting](#)

[ID 802 - Reference lists of biodiversity-sensitive areas](#)

[ID 821 – Risk and opportunity for financial materiality](#)

[ID 863 – Metrics calculation – annual average](#)

[ID 906 – Structure of the sustainability statement – annex/appendix possible?](#)

[ID 910 – Transitional provisions for value chain and Scope 3 GHG](#)

May 2024

[ID 32 – Methodology for presenting information on employees](#)

[ID 41 – Financial institutions – scope of reporting boundary](#)

[ID 148 – Scope of consolidation for non-EU and unconsolidated subsidiaries](#)

[ID 172 – Materiality assessment – private equity structures](#)

[ID 185 – Objective evidence and stakeholders' opinion](#)

[ID 186 – Substances of very high concern](#)

[ID 201 – Oil spill – Chemical spill](#)

[ID 208 – GHG emission calculation](#)

[ID 226 and 301 – Substances of \(very high\) concern and hazard classes](#)

[ID 251 – Emission factors disclosure](#)

[ID 286 – Financial year different from calendar year](#)

[ID 291 – Phase-in 750 employees and topical standards](#)

[ID 293 – Relationship of strategy and policy](#)

[ID 296 – Location of ESRS 2 related Disclosure Requirement of topical standards](#)

[ID 306 – Location of MDR in the report during phase-in 750 employees](#)

[ID 326 – Implementation of data points](#)

[ID 335 – Applicability of EU datapoints – Appendix B](#)

[ID 337 – Metrics calculation – same level of precision](#)

[ID 340 – Entitlement family-related leave](#)

[ID 341 – Conditions for Paternity, Maternity, Parental Leave](#)

[ID 350 – Gross risk](#)

[ID 352 – Work-related ill health and fatalities from ill health](#)

[ID 356 – Sub-contractors Scope S1, S2](#)

[ID 365 – Significant employment](#)

[ID 376 – Definition of collective bargaining](#)

[ID 387 – Scope of ESRS S1-16](#)

[ID 395 – Net Revenue](#)

[ID 401 – Include quantitative information in qualitative information](#)

[ID 417 – Convictions](#)

[ID 419 – Legal proceedings currently outstanding for late payments](#)

[ID 426 – Structure of the sustainability statement](#)

[ID 440 – Pollutants emissions – disaggregation](#)

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[ID 444 – Payment practices](#)

[ID 461 – Sustainability statement – ESRS 1 Flowchart E and Disclosure of transition plans and processes](#)

[ID 479 – Minimum Disclosure Requirements in ESRS G1](#)

[ID 482 – Breakdown of total revenue - financial institutions](#)

[ID 504 – Disclosure Requirements on material metrics when information is not available](#)

[ID 510 – ESRS G1-5 – Political influence and lobbying activities](#)

[ID 517 – Disclosure of thresholds](#)

[ID 552 – Comparative information](#)

[ID 560 – Beneficiary of political contributions](#)

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[ID 37 – Positive impact only](#)

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[ID 67 – Disclosure Requirement SBM-3 vocabulary / grammar used](#)

[ID 132 – Gender pay gap](#)

[ID 171 and ID 358 – Administrative, management and supervisory bodies](#)

[ID 204 – Phase-in for first-time large undertakings](#)

[ID 206 – Climate related targets](#)

[ID 214 – Resources to manage material impacts](#)

[ID 215 – Social dialogue global percentage](#)

[ID 217 – Prudential consolidation](#)

[ID 243 – Reference to financial statements](#)

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[ID 33 – Definitions of non-employees](#)

[ID 36 – Energy mix](#)

[ID 39 – SBM-1 sector breakdown and phase-in](#)

[ID 43 - Scope 3 GHG emissions for insurance companies](#)

[ID 58 – Transitional provisions 750 employees](#)

[ID 81 – Subsidiaries, holding company – alignment for GHG protocol](#)

[ID 106 - Entity-specific guidance and examples](#)

ID 109 – Bold text and Disclosure Requirement E1-6

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

ID 162 - Minimum number of material matters

ID 167 - GHG Protocol Scope 3; Sector

ID 180 – Time horizon: impact versus financial materiality

Appendix II: Key word index

KEY WORDS	ID reference
Accidents, work-related	Question ID 352 - Work-related ill health and fatalities from ill health, Question ID 1026 – Definition of end-users
Actions and targets	Question ID 762 – Location of policies, actions and targets in the sustainability report
Affected community	Question ID 1060 – Pollution – affected communities' consultations
Agrochemical products	Question ID 905 – Manufacture of chemicals/pesticides and other agrochemical products
Air pollution	Question ID 619 – Air emissions in ESRS E2 versus ESRS E1
Administrative, management, and supervisory bodies	Question ID 171 & ID 358 - Administrative management and supervisory bodies
Alignment in methodology	Question ID 81 - Subsidiaries and holding company - alignment for GHG protocol
Annual average	Question ID 863 – Metrics calculation – annual average
Annual total remuneration	Question ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1, Question ID 389 – Annual total remuneration ratio and types of workers
Anticipated financial effects	Question ID 472 – Major incidents and deposits, ID 935 – Financial effects – current versus anticipated
Area of site	Question ID 1172 – Disclosure of the area of sites in or near biodiversity-sensitive area
Articles	Question ID 815 – Substances of concern – in articles
Assets at risk	Question ID 422 – Asset at risk, disclosure of monetary amount
Base year	Question ID 552 – Comparative information, Question ID 531 – Base year
Biodiversity loss	Question ID 1025 – Direct drivers of biodiversity loss – definition
Biodiversity-sensitive areas	Question ID 802 - Reference lists of biodiversity-sensitive areas, Question ID 1115

	Disclosing the number and area of sites near or in biodiversity-sensitive areas, Question ID 1172 – Disclosure of the area of sites in or near biodiversity-sensitive area
Biogenic emissions	Question ID 776 – Pollutants emissions – granularity, Question ID 882 – Data availability for biogenic emissions in Scope 3
Bolded paragraph	Question ID 109 - Bold text and ESRS E1 Disclosure Requirements E1-6
Breakdown	Question ID 430 – Definition of Gender
Breakdown of total revenue	Question ID 482 – Breakdown of total revenue – financial institutions
Bribery	Question ID 800 – Corruption and Bribery
Business-to-business customers	Question ID 1026 – Definition of end-users
Carbon credit	Question ID 536 – Carbon credit – Quality standard
Chemicals	Question ID 905 – Manufacture of chemicals/pesticides and other agrochemical products
Chemical spills	Question ID 201 – Oil spills – Chemical spills
Consumers and end users	Question ID 1026 – Definition of end-users
Financial year different from calendar Year	Question ID 286 - Financial year different from calendar year
Categorisation of the general meeting	Question ID 781 – General Meeting
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Climate-related targets	Question ID 734 – Disclosure of progress in meeting climate-related targets
Collective bargaining agreement	Question ID 376 - Definition of collective bargaining
Collective wage agreements	Question ID 549 – Gender pay gap; collective wage agreements
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	annex/appendix possible?, Question ID 1047 – Conditions for incorporation by reference and content index
Context info	Question ID 455 – Contextual information and consolidated data for water consumption
Contractual instruments	Question ID 831 – Contractual instruments
Conversion factors	Question ID 893 – Conversion factor fossil fuels
Consolidated data	Question ID 455 – Contextual information and consolidated data for water consumption
Convictions	Question ID 417 - Convictions
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Cross-reference to financial statements	Question ID 24 - Reference to financial statements
Current financial effects	Question ID 935 – Financial effects – current versus anticipated
Datapoints	Question ID 326 – Implementation of datapoints, Question ID 438 – Treatment of non-material datapoints, e.g. radioactive waste – can it be a non-material datapoint?, Question ID 1048 – Disclosure of datapoint(s) related to a non-material Disclosure Requirement for a metric
Data availability	Question ID 776 – Pollutants emissions – granularity, Question ID 882 – Data availability for biogenic emissions in Scope 3
Data collection	Question ID 473 – Restrictions due to national regulations
Data protection	Question ID 473 – Restrictions due to national regulations
Days lost	Question ID 352 - Work-related ill health and fatalities from ill health
Decimals rounding	Question ID 952 – Metrics – rounding and decimals; materiality of information
Deposit	Question ID 472 – Major incidents and deposits
Direct impact drivers of biodiversity loss	Question ID 1025 – Direct drivers of biodiversity loss – definition
Disclosure of thresholds	Question ID 517 – Disclosure of thresholds

Disclosure of transition plans	Question ID 461- Sustainability statement - ESRS 1 flowchart E and disclosure of transition plans
Disclosure requirement	Question ID 177 - Mapping of sustainability matters to topical disclosures (Q&A ID 177)
Discrimination	Question ID 550 – Disclosure of discrimination/harassment cases found inconclusive
Early adopters	Question ID 1090 – Length of transitional provisions for early adopters
Ecolabel	Question ID 968 – Ecolabel
Emission trading schemes	Question ID 535 – Emission trading schemes
Employees	Question ID 33 - Breakdown of temporary, permanent, and non-guaranteed hours employees , Question ID 243 - Reference to financial statements , Question ID 365 - Significant employment , Question ID 387 - Scope of ESRS S1-16
Employees, global percentage	Question ID 215 - Social dialogue global parentage
Employees permanent	Question ID 31- Breakdown of temporary, permanent, and non-guaranteed hours employees
Employees temporary	Question ID 31- Breakdown of temporary, permanent, and non-guaranteed hours employees
Energy consumption	Question ID 36 - Energy mix , Question ID 1126 – Heating values and geographical location of undertaking
Entity-specific disclosures	Question ID 106 - Entity-specific guidance examples , Question ID 442 – Entity-specific metrics , Question ID 429 – Entity-specific and ESRS 2 Disclosure Requirements , Question ID 923 – Phase-in entity-specific disclosures
ESRS 1 Appendix E	Question ID 461- Sustainability statement - ESRS 1 flowchart E and disclosure of transition plans
ESRS 2 Appendix B (other EU legislation)	Question ID 335 - Applicability of EU data points - Appendix B
ESRS 2 related disclosures in topical standards	Question ID 157 - ESRS 2 Disclosure Requirement GOV, and specification in the topical ESRS , Question ID 291 - Phase-in 750

	employees and topical standards, Question ID 296 – Location of ESRS-2 related Disclosure Requirements in topical standards, Question ID 733 – Overlap of ESRS 2 and topical standards
ESRS Disclosure Requirements	Question ID 1047 – Conditions for incorporation by reference and content index
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ESRS E5 Disclosure Requirement E5-5	Question ID 401- Include quantitative information in qualitative information
ESRS S1 Disclosure Requirement S1-6	Question ID 24 - Reference to financial statements
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Estimates	Question ID 339 – Use of secondary data and social protection
EU data-points	Question ID 335 - Applicability of EU data points - Appendix B, Question ID 906 – Structure of sustainability statement – annex/appendix possible?, Question ID 968 – Ecolabel
Expertise and skills, sustainability related	Question ID 1072 – ESRS 2 GOV-1 – ESG expertise of governance bodies
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Family-related leave	Question ID 340 – Entitlement to family-related leave
Fatalities	Question ID 352 - Work-related ill health and fatalities from ill health
Female	Question ID 430 – Definition of Gender
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Financial investments	Question ID 43 - Scope 3 GHG emissions for insurance companies

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FTE	Question ID 32 – Methodology for presenting information on employees
Gender Pay Gap	Question ID 132 - Gender pay gap , Question ID 387 - Scope of ESRS S1-16 , Question ID 549 – Gender pay gap; collective wage agreements , Question ID 689 – Gender Pay Gap and gender
GHG emissions	Question ID 698 – Database for GHG emission factors
GHG emission, annual update	Question ID 268 – GHG emissions, annual update
GHG emission calculation	Question ID 208 - GHG emission calculation
GHG emissions disaggregation	Question ID 718 – Disaggregation of GHG emissions
GHG emission factors	Question ID 251- Emission factors disclosure
GHG emission factor database	Question ID 698 – Database for GHG emission factors
GHG emission reduction	Question ID 206 - Climate-related targets
GHG protocol	Question ID 81 - Subsidiaries and holding company - alignment for GHG protocol
GHG removal	Question ID 206 - Climate-related targets , Question ID 432 – Net zero target and GHG removals . Question ID 577 – GHG removals – project definition , Question ID 873 – Transport of removed GHGs
GHG storage	Question ID 873 – Transport of removed GHGs

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Gross risk	Question ID 350 - Gross risk
Gross wage	Question ID 132 - Gender pay gap
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Impact categories	Question ID 698 – Database for GHG emissionfactors
Impact materiality	Question ID 180 - Time horizon: impact versus financial materiality
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ISO	Question ID 208 - GHG emission calculation
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Level of disclosure	Question ID 560 – Beneficiary of political contributions
Location	Question ID 1126 – Heating values and geographical location of undertaking
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Male	Question ID 430 – Definition of Gender
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Materiality	Question ID 37 Positive impact only, Question ID 43 - Scope 3 GHG emissions for insurance companies, Question ID 185 - Objective evidence and stakeholders' opinion, Question ID 337 – Metrics calculation – same level of precision, Question ID 952 – Metrics – rounding and decimals; materiality of information
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Minimum disclosure requirements	Question ID 306 - Location of MDR in the report during phase-in 750 employees, Question ID 461 - Sustainability statement - ESRS 1 flowchart E and disclosure of transition plans, Question ID 479 - Minimum disclosure requirements in ESRS G1
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Net revenue	Question ID 395 – Revenue/net revenue
Net turnover	Question ID 395 – Revenue/net revenue
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Net-zero targets	Question ID 432 – Net zero target and GHG removals
Non-consolidated subsidiaries	Question ID 148 - Scope of consolidation for non-EU and unconsolidated subsidiaries
Non-employees	Question ID 33 - Definition of non-employees, Question ID 434 – Difference between non-employees and value chain workers
Non-financial undertakings	Question ID 335 - Applicability of EU data points - Appendix B
Non-graduated employees	Question ID 31 - Breakdown of temporary, permanent, and non-guaranteed hours employees
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	operations) related to a (a) material and (b) non-material topic
Non-material datapoint	Question ID 526 and ID 1021 – Disclosure of a non-material datapoint (water-consumption in own operations) related to a (a) material and (b) non-material topic
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Parental leave	Question ID 453 – Social protection and parental leave
Payment practices	Question ID 444 - Payment practices
Pay Transparency Directive	Question ID 689 – Gender Pay Gap and gender
Pesticides	Question ID 905 – Manufacture of chemicals/pesticides and other agrochemical products
Phase-in requirements	Question ID 204 - Phase-in for first time large undertakings, Question ID 923 – Phase-in entity-specific disclosures, Question ID 1144 – Phase-in 750 employees: Calculation of average number, Question ID 1090 – Length of transitional provisions for early adopters,
Phase-in less than 750 employees	Question ID 58 - Transitional provisions 750 employees, Question ID 291 - Phase-in 750 employees and topical standards, Question ID 306 - Location of MDR in the report during phase-in 750 employees, Question ID 1144 – Phase-in 750 employees: Calculation of average number
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	actions and targets in the sustainability report, Question ID 1136 – Targets without policy
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Procurement	Question ID 815 – Substances of concern – in articles
Progress	Question ID 734 – Disclosure of progress in meeting climate-related targets
Project definition	Question ID 577 – GHG removals – project definition
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Relevance	Question ID 43 - Scope 3 GHG emissions for insurance companies
Removal, biogenic	Question ID 636 – Definition of types of removals
Removal and storage of land use	Question ID 636 – Definition of types of removals
Removal technological and storage	Question ID 636 – Definition of types of removals
Removal, hybrid and storage	Question ID 636 – Definition of types of removals
Remuneration	Question ID 1013 – Potential discrepancy in variable remuneration between ESRS 2 and ESRS E1
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Resource outflows	Question ID 401 - Include quantitative information in qualitative information
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Resources to manage material impacts	Question ID 214 - Resources to manage material impacts
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Scope 2	Question ID 776 – Pollutants emissions – granularity, Question ID 882 – Data availability for biogenic emissions in Scope 3, Question ID 831 – Contractual instruments
Scope 3	Question ID 776 – Pollutants emissions – granularity, Question ID 882 – Data availability for biogenic emissions in Scope 3
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Scope 3 GHG emissions	Question ID 43 - Scope 3 GHG emissions for insurance companies , Question ID 167 - GHG protocol scope 3; sector , Question ID 910 – Transitional provisions for value chain and Scope 3 GHG
Secondary data	Question ID 339 – Use of secondary data and social protection
Sector breakdown	Question ID 39 - SBM-1 sector breakdown and phase-in
Sex, breakdown	Question ID 430 – Definition of Gender
Significant employment	Question ID 215 - Social dialogue global percentage , Question ID 365 - Significant employment , Question ID 387 - Scope of ESRS S1-16
SoC	Question ID 226 and 301– Substances of (very high) concern and hazard classes , Question ID 648 – Substances of (very high) concern – including entity-specific disclosures , Question ID 815 – Substances of concern – in articles
Social dialogue	Question ID 215 - Social dialogue global percentage
Social protection	Question ID 339 – Use of secondary data and social protection , Question ID 730 – Type of employee and social protection
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Strategy	Question ID 293 - Relationship of strategy and policy
Structure of the sustainability statement	Question ID 38 - Structure of the sustainability statement , Question ID 426 – Structure of the sustainability statement , Question ID 733 – Overlap of ESRS 2 and topical standards Question ID 762 – Location of policies, actions and targets in the sustainability report , Question ID 906 – Structure of sustainability statement – annex/appendix possible?
Substances of concern	Question ID 186 – Substances of very high concern , Question ID 226 and 301– Substances of (very high) concern and hazard classes , Question ID 648 – Substances of (very high) concern – including entity-specific disclosures , Question ID 815 – Substances of concern – in articles

Substances of very high concern	Question ID 648 – Substances of (very high) concern – including entity-specific disclosures
Sustainability matters generating sustainability risks or opportunities	Question ID 821 – Risk and opportunity for financial materiality
Sustainability related	Question ID 1072 – ESRS 2 GOV-1 – ESG expertise of governance bodies
SVHC	Question ID 186 – Substances of very high concern, Question ID 226 and 301– Substances of (very high) concern and hazard classes, Question ID 648 – Substances of (very high) concern – including entity-specific disclosures
Targets	Question ID 1136 – Targets without policy
Time horizon	Question ID 180 - Time horizon: impact versus financial materiality, Question ID 1039 – Time horizon – only long-term material, Question ID 1054 – Short-term time horizon
Tires wear	Question ID 653 – Microplastics – tires wear
Total Emissions	Question ID 414 – Disaggregation of total emissions
Transition risk	Question ID 350 - Gross risk
Transport	Question ID 873 – Transport of removed GHGs
Transitional provisions	Question ID 58 - Transitional provisions 750 employees, Question ID 204 - Phase-in for first-time large undertakings, Question ID 291 - Phase-in 750 employees and topical standards, Question ID 306 - Location of MDR in the report during phase-in 750 employees, Question ID 910 – Transitional provisions for value chain and Scope 3 GHG
Type of employee	Question ID 730 – Type of employee and social protection
Value chain	Question ID 167 - GHG protocol scope 3; sector, Question ID 910 – Transitional provisions for value chain and Scope 3 GHG, Question ID 753– Financial materiality in the value chain and power purchase agreements, Question ID 776 – Pollutants emissions – granularity, Question ID 676 – Water metrics in the value chain, Question ID 882 – Data availability for biogenic emissions in Scope 3

Value chain metrics	Question ID 776 – Pollutants emissions – granularity , Question ID 676 – Water metrics in the value chain
Value chain workers	Question ID 434 – Difference between non-employees and value chain workers , Question ID 882 – Data availability for biogenic emissions in Scope 3
Voluntary disclosure requirements	Question ID 29 and 261 – ‘May’ and ‘shall’ reporting requirements
Water consumption	Question ID 455 – Contextual information and consolidated data for water consumption , Question ID 526 and ID 1021 – Disclosure of a non-material datapoint (water-consumption in own operations) related to a (a) material and (b) non-material topic , Question ID 676 – Water metrics in the value chain
Water and soil	Question ID 832 – Pollutants emissions – changes over time , Question ID 776 – Pollutants emissions – granularity
Water metrics	Question ID 676 – Water metrics in the value chain
Water withdrawals	Question ID 676 – Water metrics in the value chain
Waste	Question ID 238 – Whether waste incineration is a disposal operation , Question ID 438 – Treatment of non-material datapoints, e.g. radioactive waste – can it be a non-material datapoint?
Waste disposal	Question ID 238 – Whether waste incineration is a disposal operation
Waste incineration	Question ID 238 – Whether waste incineration is a disposal operation
Waste recovery	Question ID 238 – Whether waste incineration is a disposal operation
Workers in value chain	Question ID 356 – Sub-contractors Scope S1, S2 , Question ID 1026 – Definition of end-users
Working conditions	Question ID 376 - Definition of collective bargaining
Work-life balance	Question ID 217 - Prudential consolidation , Question ID 341 - Conditions for paternity, maternity, parental leave

Work-related injuries	<u>Question ID 271 / 287– Difference between work-related accident and work-related injury</u>
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Appendix III: Questions categorised as 'already answered' and reference to where they have been answered

Questions received and categorized as "already answered"			as of:	30.11.24	
Question ID	Title	Question asked	ESRS reference	Allocation to	Reference to where question has been answered
1 Gross or net (impact) materiality	Shall preparers use an inherent (gross) or residual (net) perspective?		ESRS 1 chapter 3.4 "Impact Materiality"	x-cutting	IG 1 Materiality Assessment FAQ 23
3 Materiality in value chain only	Topic is not material for "own operations" but material for other segments, DR still due?		ESRS 1 chapter 5.1 Reporting undertaking and value chain	x-cutting	IG 2 Value Chain chapter 2.2
Materiality 79 assessment - Thresholds	According to paragraph 41, appropriate quantitative and/or qualitative thresholds should be used when determining which impacts, risks and opportunities are identified and addressed by the undertaking as material and to determine which sustainability matters are material for reporting purpose. What is seen as appropriate thresholds?		ESRS 1 paragprah 41	x-cutting	IG 1 Materiality Assessment chapter 3.6 and 3.7
Materiality / 102 Consolidated reporting	How to conduct the materiality assessment in groups with many subsidiaries: one consolidated materiality assessment or within each subsidiary with subsequent aggregation?		ESRS 1 chapter 7.6; IG 1 Materiality Assessment (update based on final IG 1 Materiality Assessment)	x-cutting	IG 1 Materiality Assessment FAQ 13
Materiality 103 assessment - stakeholder groups	Are there stakeholder groups that are mandatorily to be consulted?		ESRS 1 chapter 3.1 Stakeholders and their relevance ...; IG 1 Materiality Assessment chapter 5.4	x-cutting	IG 1 Materiality Assessment chapter 5.4
117 Gross or net (impact) materiality	Do we have to consider net or gross risk in the materiality assessment?		materiality assessment	x-cutting	IG 1 Materiality Assessment FAQ 23
122 Value chain - tier N	As part of the materiality analysis it is necessary to identify all material upstream activities. My question is about when it is allowed to make a cut, as some considerations would clearly exceed the scope. Example: Among other activities a logistic company uses trucks to transport the goods. This naturally results in various environmental effects (e.g co2-emission), but does the company now have to record the entire production of the truck? This would at once make all ESRS issues material.		ESRS 1 chapter 5.1 Reporting undertaking and value chain	x-cutting	IG 2 Value Chain chapter 2.1 Should IROs linked to all actors in the VC be considered?; and FAQ 1
Voluntary / 133 Mandatory requirements	Will a "may"-disclosure be mandatory to disclose, if the datapoint is material? And vice-verse can a "shall"-disclosure be omitted if the datapoint is not material? The question is; what relevance has "shall" and "may" after materiality assessments was included by the European Commission?		ESRS 1 paragraph 18	x-cutting	ID 29
134 group active in different sectors	Materiality is reported on at consolidated level for a company that operates own many different technologies, all within the same entity. However, a topic is deepest material due to one technology, while the same topic is immaterial for another technology. Can you scope out this topic for the technology where its immaterial, while report only the metrics on the technology where it is material?		ESRS 1 paragraph 104	x-cutting	IG 1 Materiality Assessment FAQ 22
163 universal thresholds?	Are there universal thresholds for impact and financial materiality? If not, how can we avoid changing the final list of material sustainability matters?		ESRS 1	x-cutting	IG 1 Materiality Assessment chapters 3.6 and 3.7
179 (Impact) materiality and likelihood relationship of impacts, risks and opportunities with (sub-)sub-topics	Does likelihood apply on the residual risk (after mitigation) or on the raw/inherent risk (before mitigation)? We must achieve double materiality on matters defined as topics, sub topics or sub sub topics defined in the ESRs E1 to G1. To what extent can we perform materiality assessment on sub-topic and with results directly characterize these matters as IROs ?		ESRS 1 paragraph 45; IG 1 Materiality Assessment FAQ 23	x-cutting	IG 1 Materiality Assessment FAQ 23
183 materiality assessment and no due diligence process according to international instruments	What exactly does it mean that the materiality assessment of a negative impact is informed by the due diligence process? Are companies required to adopt the due diligence process of the OECD Guidelines for Multinational Enterprises when assessing double materiality?		ESRS 2 IRO-1; IG 1 Materiality Assessment chapter 2.2	x-cutting	IG 1 Materiality Assessment chapter 2.2 par 44
207 mandatory / voluntary disclosures when a matter is assessed material	Can it be clarified which Datapoints are really mandatory if only a subtopic is material but not the entire topic?		ESRS 2 Appendix E, S1 almost all DR's	x-cutting	IG 1 Materiality Assessment chapter 2.2 (in particular par 47)
JV and associates - 212 share of information / value chain	What share of information shall be reported from joint arrangements and associates when they are included in a reporting undertaking's reporting boundary and how shall this share be calculated?		ESRS 1, paragraph 67; ESRS E1 paragraph 46	x-cutting	IG 2 Value chain chapter 2.3
JV and associates - 213 share of information / value chain	How is materiality to be considered by a reporting undertaking when determining whether to include joint arrangements and associates in its reporting boundary?		ESRS 1, section 5.1	x-cutting	IG 2 Value chain chapter 2.3
Materiality of 261 information and "may-datapoints"	2.1 Does materiality assessment take precedence over ESRs 1:18? 2.2 Is an undertaking required to disclose a datapoint that is not material, if it is a "shall disclose" datapoint (example 1 above)? 2.3 Can an undertaking disregard the disclosure of a "may disclose" datapoint, if the datapoint is material (example 2 above)? 2.4 What is the relevance of ESRs 1:18 if materiality takes precedence over ESRs 1:18?		ESRS 1 paragraph 18	x-cutting	ID 29
Assessment of severity (scale, 275 scope, irremediable character) for impacts	How can the severity of an impact be assessed, specifically for environmental matters ?		ESRS 1 paragraph 45; IG 1 Materiality Assessment chapter 3.6	x-cutting	IG 1 Materiality Assessment chapter 3.3.1
Materiality - at what 281 point in time to consider value chain	When doing the materiality assessment should value chain be considered from the outset or should own operations be considered first subsequently value chain be integrated?		ESRS 1 3.3 Double materiality, paragraph 42.	x-cutting	IG 1 Materiality Assessment chapter 2.6 and 3.2;
Difference between work-related accident and work-related injury	What is the difference between an 'accident' and an 'injury', and how should I count a 'case'?		ESRS S1-14 paragraph 88c	Social	ID 271

Questions received and categorized as "already answered"				as of:	30.11.24
Question ID	Title	Question asked	ESRS reference	Allocation to	Reference to where question has been answered
304	"alongside" presentation of ESRS 2 related information of topical standards	If we take the example of ESRS E1, and the information relating to the transition plan (E1-1, §14), should it be published in ESRS E1 or in the part linked to E1 in ESRS 2 ?	Disclosure Requirement IRO-1 and SBM-3; ESRS 2 paragraph 49; ESRS E1 paragraph 12; ESRS E2 paragraph 10; ESRS E2 paragraph 7; ESRS E4 paragraph 9; ESRS 5 paragraph 10; ESRS S1 paragraph 11; ESRS S1 paragraph 8; ESRS S3 paragraph 6; ESRS S4 paragraph 7; ESRS G1 paragraph 4	x-cutting	ID 296
305	"alongside" presentation of ESRS 2 related information of topical standards	If we take the example of ESRS S1, and the information requested in Appendix C of ESRS 2, should we publish the parts related to SBM-2 and SBM-3 in ESRS 2 or in the topical ESRS?	Disclosure Requirement IRO-1 and SBM-3; ESRS 2 paragraph 49; ESRS E1 paragraph 12; ESRS E2 paragraph 10; ESRS E2 paragraph 7; ESRS E4 paragraph 9; ESRS 5 paragraph 10; ESRS S1 paragraph 11; ESRS S1 paragraph 8; ESRS S3 paragraph 6; ESRS S4 paragraph 7; ESRS G1 paragraph 4	x-cutting	ID 304 and 296
315	moving from impact (or financial) materiality alone to double materiality	We are a Group of Companies in three different sectors (logistics, retail, services). We did an simple materialityanalysis last year and published it in our sustainability paper. How can we do a double materiality and what are the exact steps to do it. Can we use the data from the simple materiality to perform the double materiality or do we have to collect completely new data?	IG 1 Materiality Assessment chapter 4.1 for GRI 4.2 for IASSB	x-cutting	IG 1 Materiality Assessment chapter 4.1 for GRI 4.2 for IASSB
325	Definition of material topics	How should we define our material topics? Should be the highest value of the IROs scored or the average of them?	ESRS 1, IG 1 Materiality Assessment 3.6 and 3.7 Setting thresholds	x-cutting	IG 1 Materiality Assessment
329	XBRL - complete list of requirements	Considering Appendix C of ESRS 2 and EFRAG's list of ESRS data points excel; Why not all DRs in ESRS E1-9 are marked as subject to phasing-in provisions (Column I)?	ESRS Disclosure Requirement E1-9	XBRL	ESRS 1, Appendix C on E1-9
354	Materiality - thresholds for impact materiality	My question refers to the implementation of the materiality assessment. Does a high rating for one of the four factors (scale, impact, irreversibility, likelihood) mean that an impact must be classified as material?	ESRS 1 General requirements, AR9+10	x-cutting	IG 1 Materiality Assessment 3.6 and 3.7 Setting thresholds
358	Administrative, management and supervisory bodies	Could you please specify clearly about what will be included in the administrative, management and supervisory bodies? By this, I mean, it refers to only a highest body (Board of Directors) or it refers to another(s) bodies.	Page (document 237-PDF 238); Numeral 5: When disclosing information about the role of the administrative, management and supervisory bodies, the undertaking shall cover the following aspects*.	x-cutting	ID 171
361	applicability of Appendix B (other EU legislation) datapoints for all undertakings	Explicit statement on ESRS 2 Appendix B Datapoints even if they are not relevant to my company?	DMAIG Paragraph 5, ESRS 2 Appendix B	x-cutting	ID 335
368	Precedence of severity over likelihood in the MA	How should one give precedence of severity over likelihood in the case of a potential negative human rights impact if severity and likelihood are multiplied as done in risk management to determine the impact's materiality?	ESRS 1 Characteristics of severity AR 11	x-cutting	IG 1 Materiality Assessment chapter 3.6.2
369	high climate impact sectors	Is paragraph 40 only applicable for undertakings listed in NACE Sections A-H or L?	ESRS E1 paragraph 40 and AR 36	Environment	ID 338
372	Actual and Potential Impacts and time horizons	What is the exact relation between Actual and Potential Impacts, and the short-, medium- and long-term?	ESRS 1 Chapter 6.4, MAIG paragraph 74 and chapter 3.6	x-cutting	ESRS Annex II - Acronyms and glossary of terms
386	Total number of employees	When disclosing information under ESRS S1-6. Do we account for all employees? Or only significant employment (head count of locations where we have a minimum of 50 employees that represent at least 10% of total employment)?	ESRS S1 paragraph 50(a)	Social	ID 365
390	Components annual total remuneration, gender pay gap	the computation of the annual total remuneration considers not only base salary but also takes into account other cash components and benefits. Why are these components not included when computing the gender pay gap?	ESRS S1-16	Social	ID 132
396	Sub-consultants Scope S1, S2	Are sub-consultants included in own workforce, or are they to be included within the S2-disclosures?	S1-7	Social	ID 356
398	Substances of (very high) concern	Would there be available of the list of actual SOC with their CAS numbers? What will be the concentration limit of those substances in the mixture?	ESRS E2-5	Environment	ID 186, 301
469	Energy consumption from nuclear sources	35(a). Consumption from nuclear products: Does this also imply purchased electricity from the grid that has been generated via nuclear production or only % of nuclear products directly purchased by the reporting company?	ESRS E1 paragraph 35	Environment	ID 36
470	Specification of impacts, risks and opportunities	We do not understand what we are suppose to answer here, which ESRS DR are we supposed to specify impacts, risks and opportunities for in this datapoint and what does the standard mean with "opposed to those covered by additional entity-specific disclosure"? What entity-specific disclosure?	ESRS 2 ', SBM-3, paragraph 48h	x-cutting	ID 67

Questions received and categorized as "already answered"				as of:	30.11.24
Question ID	Title	Question asked	ESRS reference	Allocation to	Reference to where question has been answered
476	Mandatory disclosure requirements outside ESRS 2	Is it correct that apart from all disclosures in ESRS 2, no other disclosures, requirements or data points are obligatory and everything can be omitted if found to be not material even if a topic is material?	ESRS 1 Appendix E	x-cutting	ID 29
480	scope of consolidation - non-EU subsidiaries	I am trying to understand whether my subsidiaries located outside of Europe are eligible to the CSRD. The parent company is headquartered in Germany and satisfies all 3 criterias, and subsidiaries are located in Hong-kong, China and South Korea. Do we need to collect their information and consolidate them or they are out of scope ?	ESRS 1 paragraph 62	x-cutting	ID 148
495	ESRS 2 related Disclosure Requirements in topical standards	Are all general requirements as specified in ESRS2 obligatory disclosure (see ESRS 1.29) or only IRO-1 requirements (see ESRS 2.2). Do IRO-2 and SBM-3 also set disclosure requirements for the materiality assessment?	ESRS 1.29 (in conjunction with ESRS 1.30 and ESRS 2.2)	x-cutting	IG 1 Materiality Assessment paragraph 4; ESRS 1 paragraph 29; ESRS 2 paragraph 2 (a) "In all instances" and (b) "only ... if"
498	Materiality assessment of sustainability matters / approaches & AR16	Does a company within its materiality assessment process have to evaluate each sub topics individually in the list provided in AR 16 as must?	ESRS 1-27	x-cutting	IG 1 Materiality Assessment chapter 2.2
503	Materiality assessment; entity-specific policies	Does the materiality assessment take into account company-specific policies and measures in determining whether an issue is material?	ESRS 1	x-cutting	IG 1 Materiality Assessment
505	Use of male/female and gender-related terminology	In the tabular formats presented under S1-6 AR55, terms "Male", "Female" and "Other" are used. Is it allowed to change the terms to more diversity-friendly and inclusive language?	S1-6 Application Requirement 55	Social	ID 430
506	Scope of consolidation - non-EU subsidiary	Shall an EU entity (i.e. EU-based listed holding company) that falls under the scope of the CSRD reporting obligation, and which has a non-EU subsidiary (a credit institution), include in its consolidated report ESRS data points/KPIs of that Non-EU subsidiary (credit institution)?	ESRS 1 7.6	x-cutting	ID 148
515	inherent or residual risks; before or after mitigation activities	When scoring impacts, should we consider residual risk or inherent risk?	ESRS 1 paragraph 26; Material matters and materiality of information	x-cutting	IG 1 Materiality Assessment FAQ 23; see also ID 790 on financial materiality; ID 791
539	Materiality Assessment - level of disaggregation	Given: a EU daughter company that meets the reporting requirements that belongs to a larger EU group which consolidates reporting on group level. Question: is the daughter company obliged to run their own specific DMA analysis? Or, can the DMA (and final reporting) be organised on group level in which the daughter is integrated?	ESRS 1 3.7	x-cutting	IG 1 Materiality Assessment chapter 3.6.3
544	MAIG - assessment of materiality at the level of Matter rather than IRO	Regarding the materiality assessment. Is it mandatory for a company to assess the level of materiality of the IROs of each material topic, or can a company assess the level of materiality directly of the material topic itself?	ESRS 1 General requirements; ch 1.1; parag. 2	x-cutting	IG 1 Materiality Assessment chapter 2.2
545	MAIG - IRO assessment of severity & likelihood mandatory?	Can the topics (or IROs) be assessed for their significance or is it mandatory to assess the components of severity and likelihood (impact materiality) and potential magnitude and likelihood (financial materiality)?	ESRS 1 General Requirements; ch 3.4 and 3.5 (Impact materiality and financial materiality)	x-cutting	IG 1 Materiality Assessment chapter 3.3
566	MAIG - Def of sustainability matters (and links to topics or sub-topics)	When ESRS document mentions 'sustainability matters', does it mean topics, sub-topics or sub sub topics (e.g., own workforce/ Working conditions/ Secure employment)? Which level of topics (level 1, 2 or 3) should be considered to conduct the materiality assessment?	ESRS 1 - Materiality assessment	x-cutting	IG 1 Materiality Assessment section 2.2
571	Materiality assessment - order of addressing impacts, risk and opportunities	For enterprises working on their financial stakeholder materiality, wouldn't it be more intuitive to assess in order; business objectives, opportunities, risks and impacts, respectively ?	Cross-cutting standards and governance issues	x-cutting	IG 1 Materiality Assessment chapter 2.1
586	Double materiality assessment	For the DMA, does priorities are only on matters that have both impact materiality and a financial materiality, or can it be a priority if only one materiality ?	ESRS	x-cutting	IG 1 Materiality Assessment paragraphs 36 to 38
595	own operation; 595 waste - demolition of buildings	When performing a demolition of a building for a client, the reporting undertaking is "waste producer" by law. Do these waste amounts have to be reported even though they are not generated in own operations?	ESRS E5-5 paragraph 37	Environment	ID 496
613	Materiality assessment - scale and scope	What kind of scales can an undertaking use for evaluating scale and scope of an (potential) impact, and how would an undertaking evaluate its impacts?	ESRS 1 paragraph 45	x-cutting	IG 1 Materiality Assessment chapter 3.6
645	Fossil fuel sector, scope	Should an Engineering, Procurement and Construction contractor of an LNG plant include its EPC revenues under this caption?	ESRS 2 paragraph 40 d (i)	x-cutting	ID 644
657	MDR on policies, also for ESRs G1	The paragraph containing the reference to MDR-P is missing for G1-1 wherefore it is not clear if companies have to disclose the MDR-P requirements for G1 or not.	ESRS G1-1 §7-§10	Governance	ID 479
658	Policies on material Governance topics	Concerning G1-1: Does the company have to prepare policies for all material topics?	ESRS G1-1 §7	Governance	ID 479
659	minimum disclosure requirements for policies, actions and targets	Is it mandatory to disclose actions and targets for G1?	ESRS 2 MDR-A § 66 ESRS 2 MDR-T § 80	Governance	ID 479

Questions received and categorized as "already answered"				as of:	30.11.24
Question ID	Title	Question asked	ESRS reference	Allocation to	Reference to where question has been answered
677	scope of consolidation - timing of acquisitions, divestment of subsidiaries	When reporting metrics - is ESRS1 para 62 ("The sustainability statement shall be for the same reporting undertaking as the financial statements") always applicable? Are there any exemptions or transitional provisions applicable?	ESRS1 paragraph 62	x-cutting	ID 504
683	Basis of preparation scope of	For each "basis of preparation" described in the standard ESRS 2, should all the disclosures concerned by the standard be listed in the ESRS 2 paragraph at the beginning of the report?	ESRS 2 BP-2	x-cutting	ESRS 2 paragraph 8
684	consolidation - non EU - unconsolidated subsidiaries	Which countries are to be included in the reporting? If the holding company is based in Germany, are all subsidiaries worldwide to be included or only those based in Europe? Should subsidiaries in the UK be included?	ESRS S1	x-cutting	ID 148
697	XBRL - complete list of requirements	Why are not all datapoints as well as application requirements included in the excel draft list of esrs data points? Some points are missing (ESRS 1 E1-1 DP15)? Also, many application requirements are not included in the list. Why is this the case? We understand that the exercise of assessment of the materiality of a topic results in determining a level of risk and a level of opportunity for the financial materiality on one side, and a level of negative impact and a level of positive impact for the impact materiality on the other side. However, we are wondering how to properly give a sense of risk vs opportunity and positive vs negative impact?	ESRS 1 E1-1 DP15	XBRL	ID 326
706 / Risk vs opportunity positive vs negative impact, thresholds	Question rephrased to: Where to set thresholds for risks and opportunities respectively positive and negative impacts? For instance, if a topic has a high level of opportunity, and a low level of risk, where should we place it on our matrix for the reader to be able to know whether the level of financial materiality is driven by the risk or by the opportunity of this specific topic?	ESRS 1 Chapter 2.2	x-cutting	IG 1 Materiality Assessment chapter 3.6 and 3.7	
717 from EU legislation and materiality	Datapoints derived	Are datapoints from ESRS 2, Appendix B (List of datapoints in cross-cutting and topical standards that derive from other EU legislation) always mandatory and if not, how can this be compatible with the CSRD (2022/2644, Article 1 - Amendments to Directive 2013/34/EU, paragraph 8, no. 1, subparagraph 2: "which shall at least include the information that financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088 need in order to comply with those obligations")?	ESRS 1 paragraph 35	x-cutting	IG 1 Materiality Assessment chapter 2.5
721	Always material topics?	If a topic is mandatory to report on (such as E1 climate change), can the materiality assessment for the IROs belonging to this topic be omitted and the IROs will become material automatically?	ESRS 1 General Requirements paragraph 25, 27, 42, 45, 46	x-cutting	ESRS 1 paragraph 32; IG1 Materiality Assessment paragraph 31
726	Conditions Family-related Leave	Which conditions must be met to affirm 'entitlement to family-related leave' when reporting in accordance with ESRS S1-15?	ESRS S1.93, ESRS S1.94, ESRS S1.AR96, ESRS S1.AR97	Social	ID 340
729 stakeholder engagement	What is the correct approach to stakeholder engagement? Detailed questions provided in background: 1) When is the right time to engage stakeholders into the dialogue? Is it correct approach to engage stakeholders only in the last step of Double Materiality Assessment, for validation of identified material topics, sub-topics etc.? 2) Would it be correct to engage them in the form of questionnaire with a scale to score materiality of each topic? Is it sufficient to explain the reason why this topic was deemed material and not to include the exhausting list of IROs? 3) Should stakeholders consider what is material to them or consider what is material to the reporting entity in their view? 4) Is it correct to assign different weights to different stakeholder types when evaluating the results of stakeholder dialogue? Could these weights be decided solely by internal managerial decision of the reporting entity? 5) Is it correct approach to choose a sample of people from each stakeholder category to engage them in the dialogue? E.g. if the reporting entity has 1,000 employees, it will choose a sample of employees from each functional department and engage only 20 employees.	ESRS E1, paragraph 3.1	x-cutting	IG 1 Materiality Assessment chapter 3.5, FAQ 1 and chapter 5.4	
737	Relationship of policies, actions, and targets to metrics	I wonder why the ESRS 1 group policies and actions (§12 c ii) together, separated from metrics and targets (§12 d), while the "Flowchart for determining disclosures under ESRS" in Appendix E is referring to policies, actions and targets as one "group", while metrics is considered alone? Are targets related to both these "groups"?	ESRS 1, § 12c ii and 12d and Appendix E	x-cutting	ESRS 1 paragraph 33 and 24; IG 1 Materiality Assessment paragraph 55 and 56
740	High Climate sectors	What are the "high climate impact sectors" referred to in ESRS E1 DR E1-5 paragraph 38?	ESRS E1 DR E1-5 paragraph 38	Environment	ID 338
747 consolidation, disaggregation by country	Calculation of gender pay gap -	Are we obliged to disclose one gender pay gap per each country or disclose one group gender pay gap for all employees in our 40 countries where we have operations (with a vast variety of pay levels depending on factors such as purchase power, cost-of-living, tax systems, social security systems etc)?	ESRS Disclosure Requirements S1-16	Social	ID 388
757	Reporting only part of metrics	Would it be possible to report only part of the metrics of a material ESRS ?	ESRS 1 part 3.2	x-cutting	IG 1 Materiality Assessment chapter 2.4 para 56
786	non-listed companies and management report	Do private companies still publish the sustainability statement separately to the financial statements?	N/A	Other	ESRS 1 chapter 8 (para 110) and CSRD IG 2 Value Chain
787	sustainability rules for consolidation?	Are there precise criterias on how companies should consolidate? Is it financial or operational consolidation?	ESRS chapter 5.1	x-cutting	see also 792 and ID 284 for social and ID 1000, 1083, 1084 for environment IG 2 Value Chain FAQ 1 and also FAQ 7
788	Value chain - tier N	How far from the company should we go when analysing affected stakeholders from the DMA perspective?	ESRS 1 General requirements 3./3.1./ 22. (a)	x-cutting	similar question ID 122

Questions received and categorized as "already answered"				as of:	30.11.24
Question ID	Title	Question asked	ESRS reference	Allocation to	Reference to where question has been answered
805	Financial year different vs calendar year - metrics qualitative vs quantitative	E-PRTR requires reporting on calendar year basis. If a company has a different fiscal year (e.g. 1.10-30.9.) can the E-PRTR data still be disclosed on calendar year basis?	ESRS E2-4 paragraphs 28 & AR 24	Environment	ID 286
810	disclosures for DR SBM 3 financial effects	Regarding financial effects in monetary terms, is it only mandatory to report that in the E and not the S and G?	ESRS S1 AR9	x-cutting	ID 141
813	IRO prioritising for reporting purposes	Can/should IROs be prioritised for reporting purposes?	ESRS 2 par.53;ESRS 2 par.53 (b) iv; ESRS 2 par.53(c) iii; IG 1 par. 26	x-cutting	IG 1 Materiality Assessment chapter 2 (paragraph 26)
820	Phase-in 750 employees; ESRS 2 related disclosures in topical standards	Can Minimum Disclosure Requirements (and the related data points) be subject to phase-in provisions for the sustainability matters that have been assessed as material according to the undertaking's materiality assessment?	ESRS 1 Appendix C	x-cutting	ID 58
828	Mapping sustainability matters to disclosure requirements	Will official EFRAG mapping tables (in Excel or another format) be provided to link the data points to the respective topics and sub-topics?	ESRS 1 para AR 16.	x-cutting	ID 177, 846, 859 [Draft IG 4]
830	holding and topic only material for subsidiary	When performing the DMA for a holding company, should a topic, considered only material for subsidiary A be considered material at the holding level? At the end, should it be reported for all the other subsidiaries? Or due to weighting reasons it could be disregarded (if subsidiary A does not represent much neither in terms of impact nor financially)? Also, should we consider holding-level specific topics (e.g. holding company employee matters)?	ESRS 1 paras 67,68,69,70	x-cutting	IG 1 Materiality Assessment FAQ 22
834	Reduction target	What does "annual % target/base year" concretely mean in the table to disclose GHG emissions and the company's related targets disaggregated by Scope 1, 2 and significant Scope 3?	ESRS-E1 AR 48	Environment	ID 414
838	XBRL - complete list of requirements	Why are not all paragraphs of the ESRS E1 full text that indicate a disclosure requirement by 'the undertaking shall...' included in the 'Draft EFRAG IG 3 List of ESRS Data Points 231222.xlsx'? If a company adds all relevant (i.e. material and applicable) rows in the list of ESRS data points, can it be sure that it is compliant with the respective ESRS or still need to check the whole full text incl. ARs if something needs to be disclosed in addition?	ESRS E1 AR 46 and AR 51	XBRL	ID 326 and 697
846	Mapping sustainability matters to disclosure requirements	ESRS2-IRO-2-556 requires the company to publish the list of DRs derived from its materiality analysis, which will greatly help the auditor's work. However, the list of topics to be analysed first (ESRS 1 - AR16) does not exactly follow the list of DRs in each standard. Furthermore, what should be done when a company has not used the AR16 list but a list of specific issues, which it has then translated into transversal ESRSs?	ESRS2 - IRO-2 - 56; ESRS2 - AR19	x-cutting	ID 177, 828, 859 [Draft IG 4]
850	ESRS paragraph 17 datapoints (phase-in < 750 employees)	The explanatory note of the data points says that 134 of the 141 data points in ESRS 2 (excluding the 12 dp that are voluntary) have to be reported irrespective of the materiality assessment. So which are the 7 dp that are excluded?	ESRS data points	x-cutting	IG 3 List of ESRS Data Points
859	Mapping sustainability matters to disclosure requirements	If I've identified two sub-topics related to climate change (i.e. climate change mitigation and energy) as material which are the datapoints that I must disclose?	ESRS 1	x-cutting	ID 177, 828, 846 [Draft IG 4]
869	VCIG Coverage Map	In the VC coverage map it is indicated, under item 4, that: "The undertaking shall reflect whether and how policies, actions or targets cover VC." One of the items mentioned here is S1-1 to S1-5. It is unclear to me why these DR's would refer to VC, as S1 typically applies to "own workforce". S1-1 to S1-17 is also mentioned under item 6. This seems to create a level of overlap with respect to S1-1 to S1-5 that I cannot follow.	VCIG, chapter 4, VC map, paragraph 155	Social	IG 2 Value Chain paragraph 184
880	Mapping sustainability matters to disclosure requirements	Doubt on how to determine which DRs have to be applied when any topic, subtopic or sub-sub-topic had been assessed as a sustainability matters by a materiality assessment	ESRS 1 AR 16	x-cutting	ID 177
884	Head count, FTE	ESRS S1-6, paragraph 50 a states that the undertaking shall disclose the total number of employees by head count, and breakdowns by gender and by country. Why must the total number of employees be reported by head count instead of giving the option of choosing between head count and FTE?	ESRS S1-6 paragraph 50 a	Social	ID 32
887	Disclosure requirements on material metrics when information is not available	ESRS 1 paragraph 33 discusses what needs to be disclosed if companies do not have policies, actions, and/or targets. What do companies need to do if they do not have information available on material ESRS metrics, on disclosure requirements related to strategy (e.g. ESRS E4-1), and on disclosure requirements related to impacts, risks and opportunities management (e.g. ESRS S1-2 and S1-3)?	ESRS 1 paragraph 33	x-cutting	ID 504
888	calculated/available - what to report, enforceability	How acceptable would be a reporting practice to include statements like "we do not calculate/do not obtain the information" for certain disclosures. This does not concern specific cases on non-material subtopics or disclosures which explicitly require company to say "we do not have it" and "when we will have it" (like for example, E1-1 Art17 on climate transition plan).	ES-5 paragraph 36 or paragraph 37c	x-cutting	ID 504
894	Entitlement family-related leave	When is a person considered as entitled for Family Related Leave and considered to have taken family related leave?	ESRS Disclosure Requirement S1-15..93	Social	ID 340
920	ESRS 2 related Disclosure Requirements in topical standards	Question is around applying ESRS 2 in the topical standards ESG. ESRS 2 is describing the disclosure requirements of the reporting areas GOV, SBM and IRO. These reporting areas are again to be reported in the topical specific standards. The question is whether it is required to report the "general", overall company related reporting areas in ESRS 2 OR apply the disclosure requirements defined in ESRS 2 when reporting the specific disclosure requirements in the topical standards.	ESRS 2 - GOV1-5, SBM 1-3, IRO1-2	x-cutting	ID 296
926	Formula IRO-1 related disclosures in topical standards; always to be reported?	What is the formula to estimate last column of the AR48 table regarding Annual % Target / base year?	ESRS E1-6 AR48	Environment	ID 414
934	Approximation of 963 metrics on water consumption	When reporting against the ESRS topic standards E1-E5, is it mandatory to report against the IRO-1 standards; always to be reported? Should the numbers for water intensity and volumes be rounded (and if so, to up/down or closest) or does it need to have decimal places?	ESRS 2, para 2, a and b	x-cutting	ESRS 1 paragraph 29

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973	Breakdown by gender	Should the breakdown by gender be all genders that a company may have registered, or should it be limited to the genders in S1-6 MALE/FEMALE/OTHER/NOT SPECIFIED?	S1-15	Social	ID 430
985	Remediation and mitigation	Should impacts be assessed and disclosed pre or post mitigation?	All	x-cutting	IG 1 Materiality Assessment FAQ 23
1004	inherent or residual risks; before or after mitigation activities	for double materiality, please clarify gross and net ? analyse or evaluation ?	ESRS1 chap 3 double materiality	x-cutting	IG 1 Materiality Assessment - FAQ 23 ; see also ID 515 on impact materiality; ID 790 + 791
1017	are MDR a minimum for PATM or is the content in topical ESRs also to be disclosed	In ESRS 2, there is a description of the MDR for policies, measures, and actions. I would like to know if this MDR ensures compliance and eliminates the need to fulfill the reporting requirement in other ESRs in that respect?	ESRS 2 (MDR)	x-cutting	IG 1 Materiality Assessment FAQ 21 (paragraph 220) and ESRS 1 paragraph 33
1024	different between IROs at group and subsidiary level and disclosures required transitional provisions value chain; scope 3 GHG emissions	Q Is it mandatory to do a climate scenario analysis?	SBM3, IRO 1, E1-9	Environment	ID 245
1027		If there are significant changes between material IRO at group and subsidiary level, do the report only have to report on the differences in IRO, and thereby not report polycy, metrics etc?	Ers 1 paragraph 103	XBRL	IG 1 Materiality Assessment para 227
1032		How does the writing about transitional provision related to chapter 5 Value chain relate to the phase ins in appendix C?	ESRS 1, 10.2	x-cutting	IG 2 Value Chain chapter 2.7 / ID 910
1044	Financial assets to be considered?	As part of the CSRD, we would like to know whether we need to take into account the investments we make. If we have to take them into account, we would also like to know how and if all our investments are affected (selection criteria)?	ESRS 2	x-cutting	FAQ 2 of the IG 2 value chain implementation guide
1045	Days lost to fatality	What is the proper quantification of the number of days lost due to a fatality from one work-related accident or ill health case?	ESRS S1-14 paragraph 88(e)	Social	ID 351
1046	non-material datapoints requested to be in sustainability statement	If we have not identified a material impact, risk or opportunity related to a disclosure requirement, so it is not material, but we would nevertheless like to disclose information on this disclosure requirement to satisfy other information requirement (e.g. investors, rating agencies), are we able to disclose if highlighted as not related to a material topic? Where would this be best placed in the CSRD report?	ESRS 1	x-cutting	ID 526 as well as ID 1021, 1048
1077	Materiality of information applicable to PAT?	Is the materiality assessment of information, as envisaged by ESRS 1 paragraph 31, applicable to datapoints on Policies, Actions and Targets?	ESRS 1 paragraph 31 Disclosure requirements S1-1; S1-2; S1-3; S1-4; S1-5	x-cutting	IG 1 Materiality Assessment chapter 2.4 (paragraph 56)
1088	Value chain - marketing	The undertaking is an advertising agency and part of very different value chains, because it works for clients from different sectors. Does it have to take this into account when evaluating material impacts?	ESRS 1 3.3 39	x-cutting	IG 2 Value Chain chapter 2.1 What is the VC? IG 1 Materiality Assessment chapter 3.6.3 and FAQ 13 (and ESRS 1 para 102)
1099	Group vs subsidiary materiality	If a subsidiary is significantly larger and trumps the parent company (who reports under CSRD) in every aspect, how should we approach this at the group level?	ESRS 1 chapter 7.6	x-cutting	IG 1 Materiality Assessment chapter 3.6.3 and FAQ 13 (and ESRS 1 para 102)
1102	Pollutants emissions - My company is not in scope of EPTR (criteria of Annex I are not applicable). Do I still need to report on E-PRTR	My company is not in scope of EPTR (criteria of Annex I are not applicable). Do I still need to report on pollutants listed in Annex II?	ESRS E2-4 paragraph 28(a)	Environment	ID 1005
1106	Relationship of sub-(sub-)topics and DR disposal / recovery; allocation to categories based on WFD Annex I and II	In the double materiality, what happens if a sub-sub topic is material do you disclose all the topic?	ESRS E2 DMA	x-cutting	IG 1 Materiality Assessment chapter 2.2 par 44
1111		Which disposal / recovery operations from EU Directive 2008/98/EC on waste annex I & II relate to which disposal / recovery types required by ESRS E5-5 37?	ESRS E5 paragraph 37	Environment	ID 436 (reuse) ID 283 (incineration);
1112	Family-related leave	How shall employees who took any type of family related leave should be counted in, if they are not entitled for all three types of family related leave?	ESRS S1 paragraph 93	Social	ID 340
1113		Q Does ESRS E1 IRO-1 require organizations to conduct a climate scenario analysis?	ESRS E1 IRO-1	Environment	ID 245
1125	Target year	If companies set emission reduction targets, does the target year need to be 2030 in any case or are other target years applicable, too (e.g. 2032 as near-term target year)?	ESRS E1-4	Environment	ID 531
1128	Mapping sustainability matters to disclosure requirements	Je sais qu'il y a plus de 1000 indicateurs concernant tous les ESRs, mais je ne trouve pas de source fiable pour que nous puissions commencer à travailler dessus. Ma question est la suivante : où puis-je trouver tous les indicateurs par sous-thèmes des ESRs ?	Ma question concerne l'ensemble des ESRs (European Sustainability Reporting Standards)	x-cutting	ID 177
1146	Definition of Gender	Is it allowed to have a gender breakdown of men-women-other, or is only men-women breakdown accepted? In case our internal HR system works with M/F/X, how do we translate this then into a M/F breakdown for reporting?	ESRS 2 GOV-1 paragraph 21a, ESRS S1- 6 paragraph 50a/b, ...		ID 430
1147	Definition of end-user	How can the difference between S2 and S4 be defined for a B2B company? (e.g. are the employees of the client part of the workers in the VC or the consumer/end user of a product, in case they use the product in their job)? How are these situations commonly treated?	ESRS S4/ESRS S2 (full)	Social	ID 1026
1149	Mapping sustainability matters to disclosure requirements	Can you please help us understand which Data Points(DPs) are suitable for sustainability matters (AR 16), mentioned below;	ESRS S3	Social	ID 177
1151	Mapping sustainability matters to disclosure requirements	Can you please help us understand which Data Points(DPs) are suitable for sustainability matters (AR 16), mentioned below;	ESRS S4	Social	ID 177

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1152	Mapping sustainability matters to disclosure requirements	Can you please help us understand which Data Points(DPs) are suitable for sustainability matters (AR 16), mentioned below;	ESRS E2	Environment	ID 177
1163	Definition of biological material	Disclosure requirement E5-4 talks about biological materials. However, this term is not further defined. What is the definition of biological materials?	ESRS E5 Disclosure Requirement E5-4	Environment	ID 242, 642
1164	contractual instruments	What is the correct formula to calculate the share of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims?	ESRS E1-6, AR 45d)	Environment	ID 831
1168	Governance; minimum disclosure requirements for policies, actions and targets	As this question relates to the description of a policy, why is there no reference to MDR-P?	ESRS Disclosure Requirement G1-2 paragraph 14	Governance	ID 479
1177	Impact materiality and "precautionary principle"	Are entities expected to apply the 'precautionary principle' in their assessment of impact materiality? There is no direct mention of the precautionary principle within any of the ESRS or EFRAG Guidance, however this principle has often been applied in other EU environmental regulation. Additionally, Para. 45 indicates that for human rights related impacts, the severity of the potential impact takes precedence over the likelihood, which suggests an adoption of the precautionary approach.	ESRS 1: Para. 43 & 45	x-cutting	IG 1 Materiality Assessment chapter 2 and 3.6
1183	Value chain - separating non-material from material VC IROs	Pressure of software companies value chain on earth resources (through IT equipment & data centers providers)	ESRS E1-E5	x-cutting	IG 2 Value Chain chapter 2.1, 2.4 and FAQ 1
1199	Definition Non-Employees	who are the " non-employees " people with contracts with the undertaking to supply labour ?	ESRS S1 paragraph 4; (page 166/284) Appendix A, Table 2 "Business Relationships" and Implementation Guidance (IG2), paragraph 26	Social	ID 33
1218	Business partner - definition	What is the definition of business partner ?	Application Requirements for ESRS 2, ESRS E1, ESRS E2; ESRS E3, ESRS E4, ESRS E5, ESRS S1, ESRS S2, ESRS S3, ESRS S4, ESRS G1 as specified in #2.4 below.	x-cutting	IG 2 Value Chain chapter 2.1 What is the VC? Para 26
1232	XBRL - complete list of requirements	We contact you with regards to Implementation Guidance 3 – List of ESRS Data Points ("IG 3") published by EFRAG. Our review of the IG 3 pointed to some ARs included in the ESRS Delegated Act, however missing from the IG 3. We would appreciate your clarification on the reason why the ARs indicated above from the ESRS Delegated Act are not included in the IG 3? Many thanks for your consideration.	ESRS 1 GENERAL REQUIREMENTS, 10.3 Transitional provision related to section 7.1 Presenting comparative information, paragraph 136	x-cutting	XBRL ID 326
1247	data for previous years - phase in	A parent undertaking has to prepare the consolidated sustainability statement(SS)under ESRS in 2024.In the same year(2024)a subsidiary undertaking(SU)s exempted in accordance to art19a(8)-29a(8) of Dir 2013/34.In the following year(2025)or after,thi SU decides to apply ESRS not using the exemption provided for in Dir2013/34.Therefore,if thi SU prepares the SS under ESRS,it is allowed not to disclose comparative information according with Sec7.1 in its first year of preparation(2025 or after)?	ESRS 1 GENERAL REQUIREMENTS, 10.3 Transitional provision related to section 7.1 Presenting comparative information, paragraph 136	x-cutting	ID 552
1260	non-material datapoints requested to be in sustainability statement	If a specific non-financial indicator, such as workforce nutrition or SOx/NOx emissions, is not identified as material through the materiality assessment process (e.g., DMA), is the undertaking still permitted to disclose this information in their sustainability statements?	ESRS 1 paragraph 39	x-cutting	ID 1021 (and 526)
1273	JV and associates - 1273 share of information / value chain	To what extend should joint ventures, associates or joint operations be taken into account when determining the impacts, risks and opportunities?	ESRS 1 paragraph 62; ESRS 1 paragraph 102; ESRS 1 paragraph 67	x-cutting	IG 2 Value Chain chapter 2.1 What is the VC?
1274	JV and associates - 1274 share of information / value chain	To what extend should joint ventures, associates and joint operations be taken into account for topical standards in ESRS E, ESRS S and ESRS G?	ESRS 1 paragraph 62; ESRS 1 paragraph 102; ESRS 1 paragraph 67; ESRS E1 paragraph 50;	x-cutting	IG 2 Value Chain chapter 2.1 What is the VC?
1275	Sustainability reporting rules for consolidation	If a subsidiary is part of the parent company for < 50%, but is under operational control of the parent company, should this subsidiary deliver information for ESRS G1? If yes, proportionally?	ESRS 1 paragraph 62; ESRS 1 pa; ESRS 1 paragraph 67; ESRS E1 paragraph 50; ESRS G	x-cutting	IG 2 Value Chain
1281	scope of consolidation - non EU - unconsolidated subsidiaries	If an undertaking's subsidiary consolidated in its financial statement operates in different sector than primary business and accounts for less than 10% of revenue – is it possible to conclude that this subsidiary is not material (does not relate with any material impacts) without firstly conducting a double materiality assessment? If yes, does it mean that this subsidiary can be excluded from the scope of sustainability statement, or only from disclosures regarding undertaking's strategy?	ESRS 2 par. 40, ESRS 2 AR13	x-cutting	ID 148
1282	Definition non-employees, value chain workers	When an employee of a contracted company (leasing of workforce), are delivering services mostly in the workplace of the undertaking, should they be presented in the sustainability statement under CSR as a undertaking's own workforce (ESRS S1), or as its value chain worker (ESRS S2)?	ESRS S1 par. 1	Social	ID 434
1285	IRO-1 related disclosures in topical standards; level of detail?	Irrespective of the outcome of the materiality assessment, understandings [sic] must report on ESRS 2 IRO-1 datapoints including in the topical standards that are not deemed material. In practical terms how should undertakings address these requirements? All early CSRD reporters do not go into the level of detail of E4 para 19 if not a material topic as an example so what is the expectation under limited assurance?	ESRS 1 paragraph 29	x-cutting	IG 1 Materiality assessment chapter 2.3 and 2.4 (see explicitly paragraph 59)
1290	scope of consolidation - timing of acquisitions, divestment of subsidiaries	How does the timing of an M&A transaction during a reporting year impact scoping and reporting in the buyer's CSRD report? (Refer to 2.4. for further details). For example, if an acquisition occurs during a reporting period, is there a grace period/transition period before the acquirer's reporting obligation is required to take into account the acquisition (i.e. the combined group structure)?	ESRS 1 paragraph 7.6	x-cutting	ID 166 (and 939)

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1292	GHG emissions factors	GHG Emissions factor	E1-3_03	Environment	ID 698 XBRL Taxonomy - Explanatory Note and Basis for Conclusions: chapter 9.5.
1307	XBRL taxonomy - IG3 -sub-datapoints	Could you explain how to answer to a DP when it is then broken down into sub-datapoints	S4-1_02 // S4-2_01 //	XBRL	Explanatory Note and Basis for Conclusions: chapter 9.5.
1308	XBRL taxonomy - IG3- full DR reference	ESRS S4 §18 is not called by a DP. In which DP shall it be answered ?	ESRS S4 §18	XBRL	Explanatory Note and Basis for Conclusions for the ESRS Set 1 XBRL Taxonomy in chapter 9.5.
1320	Phase-in 750 employees calculation: average number of employees	Are the phased-in disclosure requirements applicable, if a company has a headcount of more than 750 people, but they are equivalent to less than 750 full-time employees? ?	ESRS 1 Appendix C	x-cutting	ID 1144



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