

## ANALYSIS OF THE PRELIMINARY COMMENTS OF TEG MEMBERS

### ESRS 1 – GENERAL PRINCIPLES

This paper presents an assessment of the comments provided by EFRAG SR TEG members (in the survey). Such assessment is considered preliminary orientation, is not final (the final views will be expressed by SR TEG members following the end of the consultation) and has been prepared in order to provide EFRAG SR TEG with a basis for the discussion and to allow to identify the topics **that have to be discussed** following the consultation and those for which possible changes could be approved by EFRAG SR TEG/Board members (where appropriate) in written. Views of TEG members are preliminary at this stage and may change following the presentation of the outcome of the consultation. If feasible, for the topics identified to be amended, the EFRAG Secretariat will start preparing a markup. All the changes to the EDs will be submitted for approval by the SR TEG/SRB (where appropriate and reflecting the allocation of decisions at TEG/SRB) in written or in meetings. Comments supporting the proposals in the ED have not been reported in this paper as they do not require actions/discussions.

#### **QUESTION FOR EFRAG SRT MEMBERS (will be asked in the meeting)**

A decision on the changes to the EDs will only be made after having assessed the results of the public consultation in September. However:

- a) some points of enhancements can already be identified and if feasible a markup can be already developed (on points that do not change the substance of the proposals). Those points are identified in the secretariat assessment as '**Draft to be amended**'. For these topics a written approval procedure is proposed in order to focus the discussion on more substantial points;
- b) some comments point in the direction of possible DRs/datapoints that may be considered as postponed to year 2 and they are identified as to be **considered in the phase-in**;
- c) some comments point in the direction of possible actions that are not compatible with the deadline of November (e.g. additional guidance on some aspects). They are identified as **not compatible with the November deadline**. Along the same lines, some items require an assessment of their feasibility by November and as such they are identified as **Feasibility for November to be assessed**;
- d) some comments require discussion as they require a possible change in the substance of the requirements. They are identified as '**to be discussed**'. In this case, the EFRAG SR TEG members are invited to provide their preliminary orientation in the meeting.

1) *Do you agree with the preliminary assessment by the EFRAG Secretariat? In case you disagree, please explain.*

2) *Please provide your view on the items 'to be discussed in TEG'.*

**1. SUGGESTED IMPROVEMENTS TO THE DRAFT**

**G = general**

	DR	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
1.1	DP 1-2	<p>Stakeholders:</p> <ul style="list-style-type: none"> <li>– Companies should report on the engagement and involvement of stakeholders in setting the targets where applicable. This specification could be included in the individual thematic ESRS covering matters where stakeholder engagement is relevant.</li> </ul>	<p>Undertakings should disclose whether and to what extent they involve stakeholders in target setting, per each material topic.</p>	<p>1.1 Draft to be amended</p>
1.2		<ul style="list-style-type: none"> <li>– Support the possibility to not report information that was not deemed useful for stakeholders. Paragraph 59 of ESRS 1 (i.e. a systematic need for justification of non-materiality) would be quite a burdensome process and may impair the readability of sustainability reporting. I would suggest instead to limit the disclosure to information that the company deemed material without additionally having to provide the proof that the other information was considered non-material</li> </ul> <p>[2 TEG members]</p> <ul style="list-style-type: none"> <li>– Auditor: The mixed use of the word “user” and “stakeholder” in paragraph 26, 27 and 28 raises confusion. Either a clearer definition needs to be made if any difference, or a unified language should be used.</li> <li>– Civil society: §26: Would be great to indicate where it is explained who the users of information are / may be. Undertakings need to be clear that this is not just financial market actors.</li> <li>– The definition fully meets the objective to cover all stakeholders’ expectations, it would perhaps conversely benefit from a definition of what is a significant and "material" stakeholder, in order to avoid an inflationist trends to consider the expectations of some stakeholders that are sometimes affected in an extremely limited way by the undertaking’s activities, products and services</li> </ul>	<p>To be discussed (Rebuttable presumption)</p>	<p>1.2 To be discussed</p>

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	DR	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
2	Q26/ Q27	<p>Sector specific guidance and rebuttable presumption:</p> <ul style="list-style-type: none"> <li>- All topics/subtopics are presumed material, requiring to apply the rebuttable presumption too many times. The industry-agnostic disclosure requirements do not take into consideration the sectoral specificity of the undertakings</li> <li>- The lack of sector-specific prioritization, thresholds and/or criteria is likely to result in a heavy workload for SME preparers</li> <li>- I think the impact of this proposal is that standard setter must pay a greater attention to what is requested on sector agnostic and specific standards, not to request too many information to avoid reporting burden. Thus, the BFC must explain for each DR why it can be considered as material by default otherwise the principle is not respected.</li> <li>- Presumptions per sector would be helpful, e.g. to identify which ESRS are (not) expected to be rebutted for each sector, similar to SASB materiality map. E.g. we definitely expect a chemical or infrastructure company to disclose on E standards. However we don't necessarily expect a consultancy company to assess biodiversity or pollution as material IRO</li> <li>- Scope to only extend to disclosure requirements that are indeed material for all or the large majority of companies across sectors; it must at least be ensured that any disclosure requirements are also relevant for the financial sector</li> <li>- "Take the courage to Clearly prescribe mandatory DRs for all companies (minimum disclosures) Define sector specific positive-lists of DRs from sector-agnostic standards. Maintain lists over time. Maybe be inspired by the SASB sector standards - The SASB approach includes a materiality assessment per sector (e.g., with thresholds for the most emitting sectors) and entities, therefore, do not have to provide proof that their impacts are non-material."</li> <li>- In its proposed form it is not clear how stakeholders' 'interest and transparency' will be preserved and how these mechanisms would not be used to avoid reporting.</li> <li>- Limit exemptions to the rule, i.e. more indicators that cannot be rebutted e.g. in particular on some aspects of S1 or GHG emissions scopes 1 &amp; 2.</li> <li>- Approach of rebuttable presumption will lead to dilution of relevance in ESG reporting and create huge formal overhead of rebuttals.</li> <li>- With the right balance between sector-agnostic and sector-specific level, there would be no need of rebuttable presumption mechanism.</li> <li>- Disclosure on ESRS S1 workforce should also be excluded from the rebuttable presumption.</li> </ul>	To be discussed	To be discussed

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		<ul style="list-style-type: none"> <li>- Some DRs should be mandatory for all firms. For example, if we want to get to net zero, then we need a complete picture of emissions. All CO2e must be counted. Hence, there it cannot be rebutted.</li> <li>- Expand the scope of Standards and DRs it doesn't apply to and define thresholds where it does apply.</li> </ul> <p>[8 TEG members]</p>		
3		<p>ESRS 1 should be clearer on the application of approximation in relation to these different aspects. ESRS 1 (paragraph 69) should state more explicitly that the lack of data does not waive companies from their disclosure obligations linked to the value chain.</p>		Draft to be amended
4		<p>DPs on policies and targets should be combined, i.e. each policy should have target(s). Reporting them separately will bring confusion and reduce understandability of reports.</p> <p>[1 TEG member]</p>	To be discussed	
5		<p>The disclosure on key resources could have a negative impact in competitive position and it is likely to expect that certain undertakings will not be prone to report about them. Not to be mandatory</p> <p>[1 TEG member]</p>		To be discussed
6		<p>Assigning resources (such as capital and operational expenditures) to specific action plans can lead to double counting or erroneous/simplified allocation (e.g. synergies)</p> <p>[1 TEG member]</p>	Allocation to specific actions is a relevant information and needed to the users. Estimates are possible.	No actions for November.
7	Level of aggregation	<ul style="list-style-type: none"> <li>• Consolidated information at group-level is sufficient (in line with CSRD), acknowledging that more granularity may be needed, for example at region- or country-level or site- or product-level, in exceptional cases. As an exception from this, in many cases, a segment-level view (based on segments as defined under IFRS 8 for IFRS preparers) may be valuable for users.</li> </ul> <p>[1 TEG member]</p> <ul style="list-style-type: none"> <li>• Key Level of disaggregation should follow IFRS 8 segments instead of own definition, to allow for connectivity to financial reporting KPI. Too many level of disaggregation, too complex.</li> </ul> <p>[5 TEG members]</p>	ESRS 1 par. 73 requires to adopt a disaggregation by ESRS sectors. Further specification at	To be discussed

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	DR	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
		<ul style="list-style-type: none"> <li>Disaggregation should follow a principles-based approach as management is best positioned to make a meaningful assessment as to which level of disaggregation is necessary and useful for users.</li> </ul> <p>[3 TEG members]</p> <ul style="list-style-type: none"> <li>According to how material are sustainability issues across the value chain, the level of granularity might be crucial to understand the location of impacts, risks and opportunities. Disaggregation at country and / or site level is extremely important. It is particularly relevant that disaggregation level would depend on sector, as suggested in paragraph 73</li> <li>Different levels of aggregation can lead to difficulties in comparability.</li> </ul>	<p>country or site level is not mandatory in all cases but only when appropriate (par. 74).</p> <p>When a topical standard prescribes specific disaggregation for an item of information, the topical standard prevails.</p>	
8		<p>ESRS needs to consider clarifying calculation rules, methodologies, and units in all the ESRS standards or at least the numeric ones.</p> <p>[1 TEG member]</p>	<p>The comment should allow to identify a specific datapoint to which it is referred.</p>	<p>No actions for November.</p>
9	38	<p>ESRS 1, para 38, is not accurate. Whilst sustainability information should be concise, it must also be comprehensive, in order to reflect the complexity of the matter being reported. Paragraph 38 should be reformulated, e.g. as follows: “Sustainability information is understandable when it is clear, adequately comprehensive, and concise, that is avoiding unnecessary disclosures.”</p> <p>[1 TEG member]</p>	<p>Drafting issue</p>	<p>Draft to be amended</p>

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10	49	<p>Recommendation: paragraph 49 re alignment on due diligence. It should be “This includes impacts directly caused or contributed to by the undertaking and impacts which are directly linked to the undertaking’s operations, products or services by a business relationship. Business relationships include the undertaking entire value chain” [1 TEG member]</p>	Drafting issue	Draft to be amended
11	39	<p>Para. 39 ESRS 1: Suggested wording ‘any reasonably knowledgeable user’ vs ‘understandable information enables all (knowledgeable) intender users to readily comprehend the information being communicated’ to ensure that corporate sustainability information addressed to those that have an interest in it. [1 TEG member]</p>	Drafting issue	Draft to be amended
12		<p>Time horizons :</p> <ul style="list-style-type: none"> <li>– We suggest maintaining flexibility in defining the time horizon so as to allow companies to link them to strategic-industrial planning.</li> <li>– A more principles-based approach with illustrative examples, e.g. guidance on which aspects need to be taken into account (e.g. company’s own planning horizon, sector specificities, product lifecycles,...), would be more appropriate.</li> <li>– A company should then be required to disclose how it defines short, medium and long term and how these definitions are linked to the entity’s strategic planning horizons and capital allocation plans (as proposed under ISSB’s S1).</li> <li>– Perhaps another category for beyond 10 or 15 years could be introduced.</li> <li>– The financial time horizon is less relevant since the climate change goes beyond only 10 years. A longer term should thus be added to stay consistent with financial terms while also covering longer terms like for climate.</li> </ul> <p>[4 TEG members]</p>	<p>Time horizon ranges in ESRS 1 are needed only for reporting purposes. Link to their planning is possible and required (par. 84). The undertaking may present its own planning time horizon further detailing datapoints in the mandatory ranges.</p>	To be discussed
13		<p>Regarding to 74 a) (disaggregation by country), a better wording would be "shall be aggregated except if" rather than saying "shall disaggregate if relevant". [1 TEG member]</p>	Alternative proposed wording is:	Draft to be amended

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	DR	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
			‘When necessary for a proper understanding ...shall be adopted’.	
14		<p>Value Chain related comments:</p> <ul style="list-style-type: none"> <li>– "A definition of “boundaries and value chain” (para. 69, ESRS 2) is needed. This is especially relevant for financial institutions - there is currently a huge uncertainty.</li> <li>– How much data (and what data) and information are needed from clients and investees? Potentially all topics will be material to report due to lending and investing within a variety of sectors.</li> <li>– The boundary for the value chain is also unclear for financial institutions. Do they need to assess clients value chain (suppliers, customers) also, to assess materiality?"</li> <li>– The reporting perimeter also extends upstream and downstream of the value chain, regardless of the level of control or the power of influence of the company. Difficulty in finding the data required by the standard for all entities involved in the value chain.</li> <li>– Also included within the scope of the supply chain are joint ventures and "associates", but normally are not always considered.</li> <li>– Particular safeguards need to apply and/or full value chain-reporting may not be possible during the first years; also, any knock-on/side effects, e.g. trickle-down effects on SMEs need to be duly considered.</li> <li>– ESRS 1 paragraphs 63 to 65 establish an important and correct principle that the lack of hard data concerning the value chain does not relieve the undertaking from the disclosure obligations specified in the ESRSs.</li> <li>– When upstream or downstream data are not available, it is not clear how it could be replaced by sector data.</li> </ul>	<p>Value chain: discussion in SR TEG (20 June) shows a good common understanding of the need to expand the boundary and use approximation as a tool to deal with impracticability of collecting the data. Value chain data to be considered in phase-in discussions.</p> <p>More guidance will be developed in the future (not for November).</p>	<p>Value chain data to be considered in phase-in discussions.</p>

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	DR	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
		<ul style="list-style-type: none"> <li>- Criticality also in reporting data over which there is no control of the data collection and management process [1 TEG member]</li> <li>- It is a must for understandability and relevance. Better to have a robust approximate relying on sound assumptions than an unreliable precise figure, even for verifiability. [5 TEG members]</li> </ul> <p>Due diligence: involvement of stakeholders</p> <ul style="list-style-type: none"> <li>- Due diligence process as proposed by the CSRD level one text and recalled in paragraphs 85 to 91 (ESRS1), impossible to implement in practice. Engaging with stakeholders that have no contractual relation with the entity in order to “take actions to address those adverse impact” [paragraph 86 (a)] would likely be unfeasible.</li> </ul>	<p>Involvement of the stakeholders in all the stages to be discussed.</p>	<p>Involvement of the stakeholders in all the stages to be discussed.</p>



**2. TOO MANY DR/GRANULARITY/COMPLEXITY/COST-BENEFIT**

	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
1	<p>Rebuttable presumption:</p> <ul style="list-style-type: none"> <li>- Rebuttable presumption is a burden for companies, that will have to report or prove on a vast number of immaterial DRs, and it offers the possibility to cheat to those that can build elaborate arguments on why some DRs might not be material for them.</li> <li>- The main disadvantage is the requirement to provide proof for those disclosure requirements which are considered non-material. Additional information in reports that impacts readability of the report and its understandability. Therefore, limiting disclosures to material information would be a preferable approach.</li> <li>- High risk of very burdensome and comprehensive materiality assessments (by default for all sector-agnostic DRs), including efforts for documentation, alignment with auditor, etc. Also, companies may find themselves in a situation where they need to “defend” themselves as users will by default assume that anything for which is rebuttable presumption applies is indeed material.</li> <li>- As "rebuttal" often is perceived as negative, companies will tend to report to be on the save side. Nevertheless, this will lead to unnecessary efforts for irrelevant reporting, that distract resources from truly relevant matters. Furthermore, relevance of single aspects within a standard will lead to long lists of rebuttals. E.g. logistics companies should typically report on particulate matter emissions under E2-4, but all other DRs in E2 are not truly of material relevance to their business model.</li> <li>- The rebuttable presumption is not explicitly included in IRO disclosure. IRO section must be simplified and must cover all the aspects of the process and result of double materiality assessment including the issued deemed not material.</li> <li>- It would be easier to have a number of mandatory material DRs, whose assessment should be done at expert group level, and leave the rest voluntary</li> <li>- However, disclosure requirements around immaterial aspects should be avoided, i.e. no list of immaterial aspects nor any disclosure on why aspects are immaterial as these items are immaterial and may obscure material information. As the materiality assessment process will be subject to audit, there is no need for additional “justifications” to the public.</li> <li>- Concern that undertakings would be able to escape reporting material information: sector-agnostic social standards are all material and should be not subject to rebuttable presumption.</li> <li>- Allows for sector-agnostic standards to be sufficiently ambitious, but to still allow to consider entity-specific context when conducting the materiality assessment.</li> </ul>	<p>To be discussed (rebuttable presumption)</p>	<p>To be discussed (rebuttable presumption)</p>

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		<ul style="list-style-type: none"> <li>- Lack of comparability between companies and sectors. Ability for companies to escape reporting on topics that they don't want to report on. Incomplete data for users (e.g. for financial companies subject to SFDR). Too much emphasis on role of auditors - the whole responsibility for materiality assessment will lie with the auditor, as there are no incentives for the management board to get involved in materiality assessment.</li> <li>- Leaves great flexibility, also not to disclose if the materiality assessment failed to be properly led.</li> <li>- "A challenge is to find the right way / balance to both :             <ul style="list-style-type: none"> <li>o Enable undertaking to justify use of rebuttable presumption so as not to disclose</li> <li>o While asking them to justify this with few data not excessively increasing burden</li> <li>o Lack of a formal mechanism of participation of stakeholders in determining materiality"</li> </ul> </li> <li>- Providing a more granular specification on how many/which material topics need to be reported – the focus should be on key stakeholders' needs</li> </ul> <p>[5 TEG members]</p>		
2	Q28	<p>Sectors issues:</p> <ul style="list-style-type: none"> <li>- All topics/subtopics are presumed material, requiring to apply the rebuttable presumption too many times. The industry-agnostic disclosure requirements do not take into consideration the sectoral specificity of the undertakings</li> <li>- The lack of sector-specific prioritization, thresholds and/or criteria is likely to result in a heavy workload for SME preparers</li> <li>- I think the impact of this proposal is that standard setter must pay a greater attention to what is requested on sector agnostic and specific standards, not to request too many information to avoid reporting burden. Thus, the BFC must explain for each DR why it can be considered as material by default otherwise the principle is not respected.</li> <li>- Presumptions per sector would be helpful, e.g. to identify which ESRS are (not) expected to be rebutted for each sector, similar to SASB materiality map. E.g. we definitely expect a chemical of infrastructure company to disclose on E standards. However we don't necessarily expect a consultancy company to assess biodiversity or pollution as material IRO</li> <li>- Scope to only extend to disclosure requirements that are indeed material for all or the large majority of companies across sectors; it must at least be ensured that any disclosure requirements are also relevant for the financial sector.</li> <li>- "Take the courage to Clearly prescribe mandatory DRs for all companies (minimum disclosures) Define sector specific positive-lists of DRs from sector-agnostic standards. Maintain lists over time. Maybe be inspired by the SASB sector standards - The SASB approach includes a materiality assessment per sector (e.g., with thresholds for the most emitting sectors) and entities, therefore, do not have to provide proof that their impacts are non-material."</li> <li>- "The concept of rebuttable presumption of materiality is important to take account of undertakings' specificities but should remain marginal. The materiality analysis should be pre-conducted by the Standard Setter to:             <ul style="list-style-type: none"> <li>o Limit the workload for preparers in analyzing the materiality and justifying the rebutted materiality presumption</li> </ul> </li> </ul>		<p>To be discussed (rebuttable presumption)</p>

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	<ul style="list-style-type: none"> <li>○ Foster auditability by limiting the number of such rebuttable decisions with endless discussions between preparers and auditors.</li> <li>○ If materiality presumption is rebutted, thresholds and/or criteria shall be established and disclosed under ESRS 2 77c which will generate a lot of work for small new preparers with limited IROs.</li> <li>○ No disclosure requirements as to immaterial topics/aspects, neither in terms of a list nor explanations as to immateriality or the undertaken assessment in this respect."</li> </ul> <p>[5 TEG members]</p>		
3	<p>Need guidance for impact materiality</p> <ul style="list-style-type: none"> <li>– Guidance on the methodology for conducting an impact materiality analysis is needed as this is a new concept.</li> <li>– Impact materiality should be defined using impact monetarization methods, e.g. in terms of financial risks resulting from impacts (e.g. future litigations).</li> <li>– Impact materiality needs practical objective guidance, as it is currently open to subjective opinion of stakeholder groups</li> <li>– This process requires initial work to determine an adequate materiality process and high level of judgement (upon first implementation and on an ongoing basis). Diversity in practice and reporting inconsistencies across companies</li> <li>– The methodology which should be used to define the scale of positive or negative impact should be clarified.</li> <li>– There is a lack of clarity concerning the scope of “actual or potential significant impacts by the undertaking on people or the environment. Without a clear definition, the impact analysis will potentially be extremely broad (e.g., in the case of financial institutions, the actual or potential impact is considerably extensive when considering the entire value chain).</li> <li>– If we assume that relevance on ESRS has already been assessed, this shall be applied for entity specific disclosures.</li> <li>– User/Academic/Other: The correlation between materiality and relevance could be even strengthened in the guidelines.</li> <li>– Clear guidance should be provided that materiality assessment to take place first on all CSRD topics rather than excluding some topics ex ante</li> <li>– The ESRS have been developed to ensure sector-agnostic relevance of DRs under given issues. A company should assess the materiality of an issue, and based on that, apply and report on all the criteria provided by the topical standard at hand. The ESRS should then identify, the individual and more granular criteria within the standard whose application should instead be based on entity-specific materiality.</li> <li>– The definitions connected to double materiality and the methodology for conducting a double materiality analysis need to be clarified for sustainability reporting to be concise and efficient.</li> <li>– Clear examples of what is expected are needed, otherwise unlikely that materiality will be uniformly understood and that disclosure requirement will be uniformly applied</li> <li>– “prioritization of negative impacts reflecting their relative severity and likelihood, where severity is defined by their scale, scope and remediability” is deemed as critical. It is unclear to us how a process like materiality can</li> </ul>	<p>More guidance is necessary but will be developed in future steps (not feasible at this stage)</p>	<p>No actions for November.</p>

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	<p>define remediability of issues and how this can be communicated in the reporting of a global company operating in multiple countries.</p> <ul style="list-style-type: none"> <li>– Paragraph 54 should be clarified. How to apply financial materiality on non-capital with no existing financial definition? It is not clear from my perspective and might be postponed to future set of standards.</li> <li>– Given its importance, more guidance on its implementation could be provided to undertakings on how they can assess that an ESRS overall or by subtopic is not significant and material for them and how to briefly justify this.</li> <li>– ESRS 2 IRO 2 could provide more guidance on what to disclose / how to rapidly justify that an ESRS is not material</li> </ul> <p>[All]</p>		
4	<p>Suggestions of improvements on materiality</p> <ul style="list-style-type: none"> <li>– The information on material impacts, in particular those explicitly required by the ESRS, should be always reported regardless of an additional test of 'decision-usefulness'</li> <li>– ESRS 1, Para 28 requires clarification. It seems to suggest that a test of 'decision-usefulness' can overrule materiality.</li> <li>– International norms on due diligence - the UNGPs and the OECD Guidelines - provide a comprehensive guidance to determine material impacts. Enhancements to the DRs on IRO.</li> <li>– The ED proposal is complex to apply and will lead to unnecessary accumulation of information. IRO 1 should be simplified especially paragraph 74. The paragraph shall only request for the disclosure of the process and its result of the double materiality assessment. No need here to add information on the dedicated resources.</li> </ul>		To be discussed
5	<ul style="list-style-type: none"> <li>– Paragraph 60: “child labor” and “forced labor” are aspects with material impacts but the other aspects “freedom of association and collective bargaining”, “privacy” and “adequate housing” are usually bound together for a given country, thus not material for the undertakings. A more appropriate example should be illustrated here.</li> <li>– Lack of a formal mechanism of participation of stakeholders in determining materiality</li> <li>– In particular, it will be important to understand how the rebuttable presumption (and the materiality assessment) is applied at consolidated / affiliate level, in order not to miss important information that needs to be disclosed at a more granular level.</li> <li>– The financial materiality concept does not seem to be aligned with the one applied in financial reporting.</li> </ul>	On financial materiality: the text can be made clearer without changing the substance.	Draft to be amended
6	<ul style="list-style-type: none"> <li>– In paragraph 55 it should be clarified that only material dependencies matter. This can also be a small, but hard to replace, amount of resources. Same for paragraph 56.</li> </ul>	Only material IROs will be reported, so materiality will be filtered at a level of financial consequences	No actions for November

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			of a dependency. No need to restrict here to material dependencies as this para is a general definition.	
7	28	<ul style="list-style-type: none"> <li>•Stewardship, i.e. accountability for past performance, should be incorporated into the standards where relevant. This requires the reporting of backward-looking information, whereas para 27 emphasises only information that is relevant to future outcomes and, in particular, is 'decision-useful'. There is nothing wrong with decision usefulness and forward-looking information, but it should be complemented by backward-looking stewardship information. Other parts of the exposure draft strike a better balance in this regard, esp. Para 79. Accordingly, Para 28 should also be expanded to incorporate the stewardship principle and clarify that backward-looking information that helps users assess past sustainability performance is also relevant.</li> </ul> <p>[2 TEG members]</p>	<p>Clarify that stewardship is part of decision usefulness.</p> <p>Check that both backward looking and forward looking have the same importance.</p>	Draft to be amended
8		<p>Comparability issues:</p> <ul style="list-style-type: none"> <li>Chapter 4 covers 10 presentation aspects or specific situations. These general reporting rules are far from sustainability substance. Couldn't we reduce the 10 sub sections? At the end, the impression is that ESRS are more relevant on reporting than on sustainability.</li> <li>Overall high complexity; uniform application seems unlikely.</li> <li>Approach is very rules-based and provides a concrete structure, which does not necessarily reflect the company-specific context and thus cannot be implemented.</li> <li>Overall high complexity; uniform application seems unlikely.</li> <li>Approach is very rules-based and provides a concrete structure, which does not necessarily reflect the company-specific context and thus cannot be implemented (in all instances and in this form).</li> </ul> <p>[2 TEG members]</p>		To be discussed
9		<p>More clarity on:</p> <ul style="list-style-type: none"> <li>The wording "defined level of ambition" is not clear, "target value" should be used to show that a figured target is expected from the report.</li> <li>Further clarity is needed in terms of what is meant by "key policies".</li> </ul> <p>[2 TEG members]</p>	The text could be more clear	Draft to be amended

**3. ALIGNMENT WITH INTERNATIONAL STANDARDS / WITH EU REGULATIONS**

	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
1	The paragraph 49 of IFRS S1 on disaggregation is simpler and clearer. [1 TEG member]	To be discussed	To be discussed
2	Regarding to 74 b), it is unexplained why there is a reference to European regulations. [1 TEG member]	To be discussed	To be discussed
3	The CSRD more detailed and comprehensive than ISSB. The frontier info captured by financial reporting is not explicit which could lead to major discrepancies when applying the standards (incl. not comparable measurements of risks and impacts). Alignment of international standard should be promoted. [1 TEG member]	To be discussed	To be discussed

**4. MISSING DATAPOINTS OR GUIDANCE**

	COMMENT	EFRAG SECRETARIAT PRELIMINARY ASSESSMENT	CONCLUSION
1	<p>The principle of relevance also needs to consider that the information can be easy to analyze and process which is a relevant missing concept. [1 TEG member]</p> <p>DP 1-2: Companies are required to report on “if applicable, the baseline value and base year from which progress is measured”. When this is not applicable, companies should provide an explanation.</p> <p>There is a critical difference to note: the approximation of value chain-related data difficult to collect (e.g. the calculation of envi impact indicators such as Scope 3) differs from the identification and assessment of actual and potential impacts along the value chain. The latter is as a form of risk assessment, and it would therefore be inappropriate to consider it from a data approximation perspective. It should rather be based on and driven by relevant due diligence guidance (the UNGPs, and OECD Guidelines).</p>	<p>Information to be easy to analyse belongs to understandability rather than relevance.</p> <p>For value chain, clarify that the approximation doesn’t apply to material IRO identification but to DRs and datapoints to be disclosed per each material IRO.</p>	<p>Draft to be amended</p>
2	<p>The definition of value needs clarification</p>	<p>When referred to financial materiality, apply the enterprise value concept. Clarify the wording, when referred to value creation and maintenance for other people and environment/other stakeholders than investors.</p>	<p>Draft to be amended</p>
3	<p>Clarification needed for:</p> <ul style="list-style-type: none"> <li>- How resources should be reported, especially how they should be measured (in terms of financing, workload and other resources).</li> <li>- DP 1-2: Adequate application guidance to be provided.</li> </ul>	<p>More guidance needed, to be developed in next steps. Not feasible at this stage.</p>	<p>No actions for November.</p>

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	<ul style="list-style-type: none"> <li>- DP 1-2: Further guidance (in the AG) should be provided as to how targets should be defined, what constitutes a measurable quantitative and/or qualitative target.</li> <li>- Individual DRs in thematic ESRS should clarify the level of (dis)aggregation, as per paragraph 77.</li> <li>- Clear thresholds should be provided for when it applies and how it can be applied</li> <li>- Companies need sufficient guidance, training, best practice and interaction with stakeholders to understand their connection to adverse impact for this to become meaningful.</li> <li>- Include more guidance and criteria to determine thresholds</li> <li>- I fully support the ambition to cover the entire value chain. However, I have some reservations on the practicability/feasibility to make reliable approximations of this information unless strong, detailed guidance is available which would allow for a consistent approach by all companies.</li> <li>- Unclear how an approach towards approximations could look like – guidance would be needed to avoid legal liability risks and ensure consistency across companies.</li> <li>- The issue does not relate to the approximation but to the definition and the application of the operational influence concept that should be further developed and detailed (see Q29). The paragraphs 63 to 70 (in particular Par 69) could be clarified and simplified. Clearer standards and/or criteria should be precised about the level of information the undertakings need to include in the disclosure.</li> <li>- For qualitative information is much more difficult to ensure this principle unless ESRS suggests a minimum level of categorization as it is a common practice in CDP for example. Otherwise, there will be difficulties that all the reporting companies to adequate their processes to reduce errors as it is described in paragraph 32.</li> <li>- Comparability is defined intra-company only; the aspect of comparability across companies, highly relevant for investors, is not addressed.</li> <li>- More guidance on how could qualitative information reasonably satisfy this criteria would be helpful.</li> <li>- •It would be beneficial to have further guidance on which methodology could and should be used and, more precisely, on how to integrate future cash flows and enterprise values to coming climate or human right related risks.</li> </ul> <p>[All]</p>		



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		<b>COMMENT</b>	<b>EFRAG SECRETARIAT PRELIMINARY ASSESSMENT</b>	<b>CONCLUSION</b>
4		We would need a shared standard for estimating future impacts on cash flow and enterprise value [1 TEG member]	More guidance would be helpful and will be considered in the future.	No actions for November.