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NESRS: EU references

Issues Paper

Objective

1. The objective of this paper is to explain the EFRAG Secretariat position with respect to references to European legislation in NESRS.

Background

2. The EFRAG Secretariat considered the need to improve the international applicability of the EU directives or regulations mentioned in ESRS set 1.
3. The concern is that referencing EU legislation may not be equitable to those falling under the scope of article 40a of the Accounting Directive as they may not be familiar with European legislation.

EFRAG Secretariat analysis

4. Upon reflection, the EFRAG Secretariat contrasts this situation to that of the exercise undertaken by the IFRS Foundation on the internationalisation of the SASB standards for the following reasons:
 - (a) The non-EU group will have significant activity in the EU and therefore have the relevant knowledge about EU regulations within the Group;
 - (b) Non-EU groups have the option under NESRS 1 paragraph 18B to exclude information about impacts of sales of goods or provision of services to consumers/end-users and businesses outside the European Union, when reporting pursuant to the disclosure requirements in the topical standards other than climate change.
 - (c) No similar guidance has been created for EU headquartered undertakings some of whom have most or a significant part of their operations outside the EU.

Question for EFRAG SR TEG

5. Does EFRAG SR TEG agree with the EFRAG Secretariat proposal? If not, please explain how you would improve the international applicability of the referenced EU legislation.