

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. **The paper forms part of an early stage of the development of a potential EFRAG position.** Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **ESRS for non-EU groups**

### **Cover note**

#### **Objective**

1. The objective of this session is to continue the SR TEG discussions and feedback on the revised NESRS working papers for the sustainability report as required under article 40a of the Accounting Directive for non-EU groups. **The voting for the approval to recommend the NESRS Exposure Drafts to the EFRAG SRB is scheduled for 21 November, therefore, this session is crucial to understand in this session concerns and red flags of SR TEG members.**

#### **Changes post 7 November meeting**

2. At the SR TEG meeting of 7 November 2024, the draft working papers were discussed and the EFRAG Secretariat has made the following adjustments:

##### **(a) To NESRS 1:**

- (i) Including wording from CSRD around subsidiary/branch requesting information etc. (article 40a(2) subparagraphs 3 and 4 of Accounting Directive in paragraphs 3B to 3E);
- (ii) Included three examples from cover note on 7 November to explain the impact of paragraphs 18A and B and explain the value chain implications (in AR 5A under heading 1.3A Perimeter of Disclosures);
- (iii) Deleted AR 9A as covered in paragraph 37A;
- (iv) Deleted Chapter 9.1 and Appendix G on Incorporation by Reference; and
- (v) Updated Chapter 10 on transitional provisions as agreed by SR TEG (including reinstating Appendix C).

##### **(b) To NESRS 2:**

- (i) Introduced paragraphs 65A, 69A and 79A to MDR asking undertakings to explain differences in PAT between EU scope and Global scope;
- (ii) Updated IFRS 8 references – created AR 14A to explain local GAAP;
- (iii) Updated BP 2 for CSRD wording (information and/or audit report from parent not provided);
- (iv) Paragraphs related to incorporation by reference deleted and phasing in restored;
- (v) Updated Appendix B (EU legislations) that have been deleted in topical standard;
- (vi) Updated references in Appendix C *DR and AR's in topical NESRS that are applicable in conjunction with NESRS 2 General disclosures.*
- (i) Including wording from CSRD around subsidiary/branch requesting information etc. (article 40a(2) subparagraphs 3 and 4 of Accounting Directive in paragraphs 3B to 3E);

3. In **NESRS E1 and E4**, references and requirements related to the taxonomy have been deleted.
4. In **NESRS S3**, paragraph AR 7 has been restored in response to an SR TEG member's comment.

### Next steps

5. The EFRAG Secretariat with the European Commission is also arranging **three webinars** with stakeholders on 19 and 20 November 2024. SR TEG will be updated on feedback received at the meeting on 21 November 2024.
6. The EFRAG Secretariat has highlighted in grey the paragraphs in NESRS 1 and 2 relating to the **mixed approach for the perimeter of disclosures**. For the version the NESRS Exposure Drafts for approval on 21 November, these will be included in a separate document to support the consultation and/or field test. Therefore, the NESRS ED for SR TEG approval will contain only the global scope with consultation on the mixed approach.
7. The EFRAG Secretariat has considered reporting IFRS S2 on a global basis and that reporting this could lead to double reporting with increased costs including assurance costs. The EFRAG Secretariat will discuss further with the European Commission but is intending to consult on how to avoid this probably through **incorporation by reference**.

### Questions for EFRAG SR TEG

8. Does EFRAG SR TEG have comments on the NESRS working papers prepared by the Secretariat for this meeting?

### Agenda papers

9. In addition to this cover note, the following agenda papers are also included for this session:
  - (a) Agenda paper 04-03 NESRS 1 compared to delegated act
  - (b) Agenda paper 04-04 NESRS 2 compared to delegated act
  - (c) Agenda paper 04-05 NESRS 1 compared to agenda paper for 7 November
  - (d) Agenda paper 04-06 NESRS 2 compared to agenda paper for 7 November
  - (e) Agenda paper 04-07 NESRS E1 *Climate change* working paper
  - (f) Agenda paper 04-08 NESRS E2 *Pollution* working paper
  - (g) Agenda paper 04-09 NESRS E3 *Water and marine resources* working paper
  - (h) Agenda paper 04-10 NESRS E4 *Biodiversity and ecosystems* working paper
  - (i) Agenda paper 04-11 NESRS E5 *Resource use and circular economy* working paper
  - (j) Agenda paper 04-12 NESRS S1 *Own workforce* working paper
  - (k) Agenda paper 04-13 NESRS S2 *Workers in the value chain* working paper
  - (l) Agenda paper 04-14 NESRS S3 *Affected communities* working paper
  - (m) Agenda paper 04-15 NESRS S4 *Consumers and end-users* working paper
  - (n) Agenda paper 04-16 NESRS G1 *Business conduct* working paper