

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG/SRB. The paper constitutes, together with the draft ESRS V.1 unapproved, the EFRAG TEG advice on the simplification of ESRS to the EFRAG SRB. The paper is made available to enable the public to follow the discussions in the SRB meeting. 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.

EFRAG SR TEG vote on Amended ESRS - Due process document

UNAPPROVED SUMMARY

Objective

1. The objective of this paper is to illustrate the conclusions of the SR TEG meeting of 24 November where the draft “ESRS V1 unapproved” were discussed and approved, subject to the changes, and with the expression of reservations and dissent as described in this document.

Attendance

2. The attendance of the SR TEG members was as follows:

Members		Organisation	Attendance	Members		Organisation	Attendance
Chiara	Del Prete	EFRAG SR TEG Chairwoman	In person	Julia	Kölzer	Allianz	Online
Sigurt	Vitols	ETUI (Vice-Chair)	Online	Thierry	Langreney	Les Ateliers du Futur	Online
Robert	Adamczyk	EBRD	Online	Jannik	Leindecker	BCG	Online
Sandra	Atler	ENACT	Online	Signe Andreasen	Lysgaard	Danish Institute for Humans Rights	Online
PierMario	Barzaghi	KPMG.it (country liaison)	Online	Jose	Moneva	ICAC (country liaison)	Online
Kati	Beiersdorf	DRSC (country liaison)	In person	Elena	Philipova	LSEG	Online
Piotr	Biernacki	Foundation for Reporting Standards	Online	Luis	Piacenza	Crowe	Online
Luca	Bonaccorsi	Pwc	In person	Vanya	Rusinova	Ørsted	Online
Guillaume	Bône	WWF France	Online	Olivier	Scherer	pwc	In person
Roberta	Ceccon	Cassa Depositi e Prestiti (CDP)	Online	Christoph	Töpfer	UBA	Online
Jean-Francois	Coppenolle	Abeille Assurances	Absent	Per	Tornqvist	Danske Bank	In person
Carlota	De Paula Coelho	B Lab Europe	Absent	Belen	Varela	Inditex Group	Online

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Anne-Claire	Ducrocq	BNP Paribas	Online	Julia	Zicke	SAP Group	Online
Eric	Duvaud	ANC (country liaison)	In person				
Luc	Hendrickx	SME United	Absent				

Overall results of vote

3. Carlota De Paula Coelho and Luc Hendricxs were absent and are not considered in the quorum.
4. Some of the members expressed dissent, in particular as a result of a cumulation of different reservations on different points. Some members, in a spirit of compromise, instead of dissenting expressed STRONG reservations, which are in bold in this document.
5. In some cases, members warned that further changes to a specific provision would trigger a dissent. As the vote is casted on the V1 unapproved drafts provided for this meeting, these observations have not been reported here.
6. Some members also provided editorial comments, which were not discussed but members assumed that they will be considered in the final drafting, when casting their vote. A list of these changes has been provided to SRB and will be considered in the finalisation of the drafting.
7. The following standards were approved by the participating members:

Standard	Approval without reservations	Approve with reservations (strong reservations in bold)	Dissent	Conditions for the approval
ESRS 1 19 approve or approve with reservation 7 dissents	<ul style="list-style-type: none"> Robert, Anne-Claire Elena Chiara Per 	<ul style="list-style-type: none"> Belen (relief on metrics should include GHG, excess focus on geography) Christoph (excessive and cumulative reliefs without time limits and phase-in) Eric (delete 44, editorial changes to 45, geographies in 54 should be disaggregated only for very severe cases) Jose (fair presentation) Julia K (eliminate ‘informed assessments’ from 23 (b), excessive focus on geography, gross vs net still complex and unclear) Jannik Leiendecker (eliminate informed assessment – 23(b)) Luca (Unnecessary phasing in for value chain and Wave 2- par. 124, 125, 132) Luis (27 should refer to the criteria, 32 merge (a) and (c), 53 may to shall, phasing in for wave 2) 	<ul style="list-style-type: none"> PierMario (fair presentation); Kati (importance of ESRS materiality of information – delete ‘informed assessment’, excessive focus on geography/disaggregation and gross/net still complex and unclear) Guillaume (accumulated reliefs with no time limit, excessive phase-ins, not sufficient focus on geographies) Piotr Biernacki (ESRS 1 V1 reduces access to financing and competitiveness of EU companies with no time bound reliefs, top-down should not 	<p>The vote is the result of a negotiation on several issues that were initially indicated as triggering further dissent or strong reservations, which were resolved in the meeting, and is conditional to appropriate amendments that form integral part of the TEG Advice for the finalisation of the ESRS 1. They relate to the following elements/paragraphs:</p> <ol style="list-style-type: none"> 1. 4 (governments and analysts to be reinstated as users); 2. 27 remove the hierarchy between strategy/business model and the other facts 3. 27 clarify that in top down you always have to apply the general criteria 4. Recommend to include in future IG 1 how the hybrid approach would work to avoid green washing 5. Recommend to include in BfC that undertaking are expected to have

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Standard	Approval without reservations	Approve with reservations (strong reservations in bold)	Dissent	Conditions for the approval
		<ul style="list-style-type: none"> • Signe (accumulated reliefs with no time limit, 27 missing link to criteria, 27 delete hierarchy, 27 delete reference to non material, wave 2 phase ins, delete reference to non-material IROs in top down) • Sigurt (delete para 30, excessive reliefs with no time limit, and wave 2 phase-ins) • Thierry (94-95 undue cost should not be applicable to datapoints required by other applicable regulations) • Vanya (Same as Signe for 27, 22 should mention steps of DMA, excessive reliefs and phase-ins, AR 26 for para 50 should rely more on internal systems) • Olivier (no phase-ins E1-11 carrying amounts at risk, to loong AFE phasing-in SBM 3) • Jean-Francois– Reliefs on own operations and time limit 	<p>refer to non material, no sufficient geographies)</p> <ul style="list-style-type: none"> • Roberta (fair presentation, materiality of information) • Julia Z (dissent on ‘informed assessments’; strong reservation on geographies) • Sandra (excessive reliefs and phase-ins, top-down same as Signe, geographies and para 30 same as Sig) 	<p>supportable elements for the conclusion non non materiality</p> <ol style="list-style-type: none"> 6. 30 add that interlinkages between subtopics are to be considered in the DMA 7. Recommend to issue ID 177 as addendum to IG 3 8. 32 merge (a) and (c) 9. AR 15 clarify in BfC that LEAP is not mandatory and the nature of valuable input VS shall consider 10. 44 and 45: invert the order 11. 44 change may to shall and delete risk and opportunities (as only needed here for impacts) 12. AR 24 delete and include in future IGs 13. Par. 53 replace may to shall 14. Modify phasing in for E1-11 par. 38 a and b, 39 a and b: there should not be phasing in as these are book values already available. 15. Par. 22 should mention both of the steps of DMA. 16. Par. 122 makes the phasing in not available for voluntary application, is this intentional? <p>In addition, to eliminate other dissents on the cumulation of reliefs and phasing-in, the TEG recommends on a majority basis (5 members did not support this recommendation) to eliminate:</p> <ul style="list-style-type: none"> - Chapter 10.2 as VC reliefs are already offered (partial scope in metrics, undue cost) - Para. 132, i.e. not offering additional phasing in for companies in Wave 2. <p><i>Illustration of these changes in Appendix 1 to this doc.</i></p>

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Standard	Approval without reservations	Approve with reservations (strong reservations in bold)	Dissent	Conditions for the approval
<p>ESRS 2 22 approve or approve with reservations 4 dissents</p>	<ul style="list-style-type: none"> • Anne-Claire • Eric • Julia K. • Jannik • Elena • Chiara • Olivier • Robert 	<ul style="list-style-type: none"> • Belen (AFE - the lack of established methodologies, prefer qualitative and quantitative on a voluntary basis) • Christoph (cumulation of reliefs and phasing in on AFE, AR 38 deletion of “direct and indirect”) • Guillaume (AFE as Christoph) • Jose (quantitative AFE impracticable) • Luca (AFE as Christophs and Guillaume) • Piotr (SBM-3 para. 29 “relief on skills, capabilities and resourece” possible overlap with undue cost or effort but goes further, IRO-1 AR26 “full” DMA implies no full DMA is done every year, IRO-1 para. 35(b) terminology on highetened risks, AR38 direct/indirect actions to be deleted) • Sandra (GDR-A AR 38 direct/indirect actions to be deleted) • Sigurt and Signe (cumulation of reliefs and phasing in on AFE, AR 38 direct/indirect actions to be deleted, IRO-1 para. 35(b) additional risks – unclear) • Thierry (cumulation of reliefs and phasing in AFE, 39 datapoint in reasons not to adopt PAT should be reinstated) • Vanya (AFE combined effects of reliefs and phase-ins) • Per (quantification of AFE difficult due to estimations) • Jean-Francois (AFE combined effects of reliefs and phase-in) 	<ul style="list-style-type: none"> • PierMario (AFE) • Kati (AFE– quantification) • Roberta (AFE – quantification) • Julia Z (AFE – quantification) 	<p>Agreement to recommend to change:</p> <ul style="list-style-type: none"> - Address editorial change in 35 b - Elimination of direct/indirect in AR 38

Appendix 1: Mark-up of proposed changes

Introduction

1. This Appendix includes an illustration of the recommended changes by SR TEG to EFRAG SRB on v1 of amended ESRS 1.

(a) Para 4: List of users – SR TEG proposes reinstatement of analysts and governments;

(22(b) amended) Users of general-purpose sustainability statements are:

(a) primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and

(b) other users of general-purpose sustainability statements, such as the undertaking's business partners, trade unions and social partners, civil society, ~~and~~ non-governmental organisations, governments and analysts.

(b) Para. 27:

(i) Remove the hierarchy introduced between strategy and BM and the other elements.

(ii) Add in para. 27: without prejudice to the criteria in 3.2.1 and 3.2.2.

(iii) Recommend including in future IG 1 revision how the hybrid approach process would work to avoid green washing

(iv) Include in BfC that conclusions on an impact, risk or opportunity being non-material should be grounded on evidence.

27. Without prejudice to the criteria in 3.2.1 and 3.2.2, the undertaking may derive a conclusion, without further assessment, on the materiality or non-materiality of its impacts, risks or opportunities for a topic or sub-topic, on the basis of an analysis of its strategy and business model, ~~taking into account~~ its sector(s) of operations, its geographies, and the features of its upstream and downstream value chain ('top-down' approach to materiality assessment). In this approach, if there is still uncertainty on the materiality conclusion for one or more impacts, risks or opportunities on the basis of the analysis of the strategy and business model, the undertaking shall perform a specific assessment of them.

(c) Para. 30:

(i) Add clarification that interlinkages between sub-topics are to be considered in the DMA

(ii) Recommend ID 177 from NMIG – ESRS 1 will be released as addendum to IG 3 in December 2025

30. (new) When a material impact, risk or opportunity relates to a particular sub-topic, the undertaking is required to report only the material information related to the sub-topic concerned. The undertaking needs however to consider that sub-topics can be closely interrelated, triggering the need to assess them in conjunction in the double materiality assessment.

(d) Para. 32

- (i) Merge 32 (a) and (c) as they belong to the same concept, (c) is not a separate concept, it could be misunderstood in isolation from undue cost or effort

(AR 17 amended) In conducting its double materiality assessment, the undertaking:

(a) shall use reasonable and supportable evidence that is available at the reporting date without undue cost or effort (see Chapter 7.4) and it is not required to assess every possible impact, risk and opportunity across all areas of its operations and upstream and downstream value chain.

(b) (39 amended) shall focus on areas of own operations and upstream and downstream value chain where material impacts, risks and opportunities are deemed likely to arise based on the undertaking's strategy and business model, geographies, sectors, business relationships, nature of the activities, or other factors; and

~~(c) is not required to assess every possible impact, risk and opportunity across all areas of its operations and upstream and downstream value chain.~~

(e) AR15 - Para. 33

- (i) Clarify in BfC that the LEAP approach is not mandatory and explain how the construct 'provide valuable reference' is different than 'shall consider'.

(f) Paras. 44-45 and AR 24 (45b):

- (i) amend para. 44 (it should be a SHALL not a MAY): => propose to change the 'may' to 'shall report' when it concludes that the info is material
- (ii) Invert 45 and 44 + delete risks and opportunities
- (iii) Delete AR 24 and include it in future guidance as contingency plans imply future substantive actions, and it should not be taken into account.

~~44. The information about how the undertaking manages its material impacts, risks and opportunities through policies and actions may be relevant to users, and therefore the corresponding topic may have to be reported, irrespective of how effectively they are managed or irrespective of how effectively the corresponding topics are regulated, particularly for topics that are identifiable as material based on the analysis of the undertaking's strategy and business model, as described in paragraph 27.~~

~~45. (new) Without prejudice to paragraph 44:~~

- (g) E1-11 no phasing in for carrying value on exposure at risk as they are book values already available.
- (h) Chapter 10 – Phasing-ins: consider deletion of phasing-ins for Value Chain (paras. 124-125) and phasing-ins provisions for Wave 2 (para. 132). To note: 5 TEG members oppose this.
- (i) Par. 22 double materiality: double materiality refers to both steps (SIGNIFICANT EDITORIAL)

Para 22.

22. (21) *The undertaking determines the material information to be disclosed ~~by applying based on~~ its double materiality assessment ~~(see paragraph 2) explained to~~ identify material impacts, risks and opportunities, and by applying the criteria for assessing the materiality of information set out in this Chapter.*

- (j) Par. 122 excludes the voluntary application (SIGNIFICANT EDITORIAL)
- (k) Para. 53 – Proposal to include the consequential in the AR. (SIGNIFICANT EDITORIAL)

Para. 53

(52 amended) The materiality assessment ~~may~~ shall identify situations where its actions taken to address certain impacts, risks, or opportunities, related to one topic may create material negative impacts or material risks for one or more other topics. In such situations, the undertaking is required to present its disclosure in a way that facilitates the understanding of the connections between different topics