

ESRS E1: EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

In your opinion, to what extent do the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Only obligation to disclose: The current drafting of the disclosure requirements can be interpreted as mandating transition plan, climate targets, locked-in emissions, GHG removals, GHG emissions reductions or removals or purchase of carbon credits rather than requiring to disclose if any.	Formulation	Yes GRI & TEG	For elements which are not mandatory due to EU regulation, the text should be amended to indicate that the elements should only be disclosed if the undertaking has implemented the relevant actions (e.g.: GHG removals aren't mandatory, neither is setting targets), as the relevant DR have been designed for transparency purposes Specifically for transition plans, they should only be reported if such plan exists due to the major change in business models entailed by such plans.	Draft to be amended by adding the mention "if the undertaking has implemented the relevant actions" to Paragraphs 13, 15 (d), 21, 53, 46 or alternatively in ESRS 1 as a general principle	No
2	Provide additional guidance & common methodologies	Methodological precisions	No	Only targets alignment with 1.5°C should be presented	Draft to be slightly clarified	No

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	on the elements of the transition, on how the alignment with limiting global warming to 1.5°C should be explained/demonstrated			(not required) through Contraction or Sectoral methodologies and presentation of the targets set against 1,5°C scenarios.		
3	Locked-in emissions: The disclosure of quantitative locked-in emissions is criticized as being too costly, complex and may be sector specific.	Sector specific	Yes TEG	Locked in emissions is an important concept in high emissions sectors, however, not common practice and requiring these emissions in qualitative terms may be enough for the requirements for the transition plan at sector agnostic level. Asking for quantitative data could be included only in sector agnostic standards for high emissions sectors.	Draft to be amended (by adding “A qualitative assessment of the locked-in GHG emissions...” to paragraph 15 (d), and quantitative assessment only for high climate impact sectors and modifying AG3)	No
4	Separate mitigation and adaptation policies: Climate mitigation and adaptation policies may not always be separated if this makes more sense for an undertaking	Flexibility	No	Both possibilities should be granted.	Draft to be amended (paragraph 16 and AG23)	No
5	Legal requirements disclosure: Paragraph 19 should be removed. Asking companies to disclose the main legal requirements it has to comply with provides little additional value to the user. Moreover, companies	Reduction	No	The requirement may be too granular for companies operating internationally. Moreover, the definition of what constitutes a “main legal requirement” can be debated. The DR is partially redundant with ESRS 1	Draft to be amended (paragraph 19 to be deleted) and ESRS 1 to be amended.	No

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	are required to respect their legal requirements			addressing “third party standards of conduct”.		
6	Methodological precisions (SDA): the issuer should precise whether the GHG emissions reduction targets are presented with reference to an Absolute Contraction Approach (ACA) or a Sectoral Decarbonisation Approach (SDA)	Methodological precisions	Yes TEG	The alignment of Transition Plans with the Paris agreement at Corporate level is particularly difficult from a methodological point of view when GHG emissions budgets by sector (Sectoral Decarbonisation Approach) have not yet been defined; however, alignment based on Absolute Contraction Approach remains possible even if not very relevant. This precision may be added in the disclosure requirement.	Draft to be amended (paragraph 24 (e) in line with IFRS S2 wording (« whether the target was derived using a sectoral decarbonisation approach; »). and AG1)	No
7	Target timelines: For GHG emission reduction targets, we question the relevance of updating the base year from 2025 onwards in five-year rolling periods (AG 29b). Such prescriptive requirement may not be suited for all sectors. Flexibility should be given to each undertaking and should focus on investments cycles or longer period rather than on fixed dates.	Flexibility	No	The CSRD makes targets value mandatory for 2030 and 2050. In order to increase the comparability in the disclosure of the GHG reduction targets, a five-year rolling period was implemented. To allow more flexibility we suggest applying five-year rolling periods as of 2030 while making reporting of reduction targets for at least 2030 and 2050	To be redrafted	No

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				mandatory, to add flexibility in the approach at the beginning while retaining comparability after 2030		
8	Decarbonisation levers: The reporting of GHG emissions, targets and actions by decarbonization levers may be presented in a single table and at an aggregated level	Granularity	Yes GRI and TEG	In order to reduce the reporting burden and clarify the presentation of the information disclosed in a consistent way between targets and actions plans, the disclosures may be made together in a single table or graph and at the decarbonization levers may be aggregated in consistent types of mitigation actions (e.g.: energy efficiency, use of renewable energy)	Draft to be amended (AG30, AG33 and AG50)	Yes
9	Content: Only significant amounts of OpEx and CapEx should be disclosed and related to the amount presented in the financial statements (Paragraph 30 (b) Clarify rules of calculation of CapEx/OpEx: tangible vs intangible, incremental, additionality of CapEx, operating lifetime, etc.	Granularity & Methodology	Yes TEG	Given that the disclosure of resources is necessary for assessing the credibility of the undertakings plans, relating the monetary amounts to the financial statements ensures consistency of the approach and gives precisions on the level of commitment of the company. However, climate related OpEx and CapEx may be difficult to derive from the undertaking's financial information	Draft to be amended 30 (b) and AG34	Yes

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				systems, only significant CapEx and OpEx shall be disclosed and related to the amount presented in the financial statements; Connectivity with Taxonomy article 8 to be clarified.		
10	Energy granularity: Require disaggregation of energy consumption from non-renewable sources <i>only</i> for high climate impact sectors.	Granularity & Sector specific	NO	The disaggregation of energy consumption from non-renewable sources is useful for the calculation of GHG emissions but is granular, not very useful for users and could be required only for energy or GHG-intensive sectors.	Draft to be amended accordingly	No
11	GHG emissions materiality: Scope 1, 2 and 3 are default material in CSRD and not rebuttable	GhG emissions materiality	YES TEG & CSRD	Art 29b of final CSRD specifies that scope 1, 2 and where relevant scope 3 emissions have to be reported, meaning they are necessarily material due to EU public policies. In addition, “where relevant” scope 3 is contradictory to SFDR → only AG15b on materialityassessment to be amended accordingly.	Draft AG15b to be amended.	No
12	Scope 1, 2 & 3 into 1 DR: Merge the DR about scope 1,2, 3 and total GHG emissions into one single DR.	Structure	YES TEG, Use Test	Scope 1, 2 and 3 are to be combined in one single DR to reduce number of DR. Some specificities (share of	To be discussed. If E1-7,8, 9 and 10 are merged, then E1-15,16 and 17 should	No

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	[Use test, Austrian Financial Reporting and Auditing Committee			scope 1 under EU ETS and scope 2 location/market based) will remain different. The scope and detailed guidance are different but this will be covered by the Application guidance that will continue to be detailed per each of the 3 scopes..	also be merged to keep a relevant balance between impact and financial materiality.	
13	Emissions methodology: Introduce EU ETS scope 1 calculation methodology.	Methodology	YES EC DG Clima	Add in the AG 45 (e): for activities reporting under the EU ETS, Scope 1 emissions shall be reported following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors not covered by the EU ETS. This would increase accuracy compared to GHGP without generating significant differences with IFRS S2.	Draft to be amended	No
14	Scope 3 presentation in 5 mega categories: Remove the mandatory requirement on the presentation of 5 mega categories of scope 3.	Alignment	YES IFRS S2 alignment	Agree that the presentation in 5 mega categories to simplify and clarify presentation has not been understood by stakeholders. Move the presentation of 5 mega categories to AG as a "may" and stick to the	Draft to be amended	No

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				specific 15 categories of the GHG protocol.		
15	Emission: The disclosure of cloud computing emissions in scope 3 sub category should be made mandatory if material.	More granularity on sources of GHG emissions	Yes Use test	Consider stronger language, to make the sub category requirement mandatory instead of optional but only if this source is material.	Draft to be amended	No
16	Biogenic removals: Make a clear distinction between biogenic and land use change removals and add details about the related risks (leakage, reversals, etc.)	More granularity on removals	YES EC	Need to make a distinction between biogenic and land use change removals. Not all carbon removal is permanent. The risks of reversal need to be tracked and the duration of storage needs to be made explicit.	Draft to be amended	No
17	Avoided emissions optional disclosure: stakeholders views are balanced, some considering avoided emissions not relevant and misleading due to the complexity of calculation and methodology uncertainties while others (23) saying that standardization is needed. Some argue they are sector agnostic, others sector specific.	Sector specific or methodology	No	Avoided emissions may be kept as optional or moved to Governance if a sustainable products DR is added or methodological precisions should be added. Moving to sector specific does not seem relevant as most of the sectors are potentially concerned.	To be discussed as part of sustainable products discussion	Yes
19	Potential financial effects: they may be competitively sensitive, hard to estimate, to compare and to verify as no commonly agreed	Phase-In - Alignment	Yes TEG	Add from AG 74 in main body: The undertaking shall disclose quantitative information unless it is	To be discussed.	YES

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	methodologies exist. To be aligned with ISSB, it is suggested to bring the possibility to disclose qualitative information in the main body.			impracticable to do so. In such case, it shall provide qualitative information. This provision is applied for the 3 first years of application.		
20	List of assets and business activities: disclosing these list used to calculate the share of assets and turnover at physical risk would be useful for investors	Missing- More granularity	No	The list of assets and business activities at material physical risk is needed for the internal calculation of the percentages/shares. Would their disclosure obscure the sustainability statement ?	To be discussed	No
21	Financial effects calculation: Clarify rules of calculation of financial effects from physical and transition risks; tangible vs intangible, incremental, additionality of CapEx, etc.	Methodology	No	Develop more guidance/methodology on how future potential financial effects are to be measured or evaluated	Draft to be amended.	YES

(*) NOTE TO THE SECRETARIAT: the outcome 'TO BE DISCUSSED' is not anymore possible at this stage. Each team has to discuss, involving selected TEG members when appropriate to collect ideas, and come with a closed recommendation, that will subsequently be discussed and challenged by EFRAG SR TEG/SRB