

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.

Value Chain Implementation Guidance Cover Note

Objective

1. The objective of the session is to validate on a no-objection basis the value chain implementation guidance for issuance, subject to the SRB editorial changes and, if applicable, to remaining SR TEG editorial changes.

Background

2. In March 2023, Commissioner McGuinness publicly called on EFRAG to prioritise implementation guidance on the first set of ESRS over the preparatory work for the draft sector-specific standards. EFRAG therefore adjusted its workplan accordingly and allocated resources for the task.
3. The EFRAG SRB concluded based on its members interactions with constituents that the highest priority is implementation guidance on the materiality assessment as well as value chain information.
4. In the Explanatory Memorandum to the delegated act issued in July 2023, the EC notes that *The Commission is putting in place an interpretation mechanism to provide formal interpretation of the standards. The Commission has also asked EFRAG to publish additional guidance and educational material, addressing the materiality assessment process and other issues.*
5. In the Q&A document that accompanies the delegated act, the EC notes that: *EFRAG will periodically publish additional non-binding technical guidance on the application of ESRS. ...The Commission has suggested that EFRAG prioritises the development of guidance on materiality assessment and on reporting with regard to value chains. EFRAG expects to publish draft guidance on these two issues for public consultation in the near future.*
6. The EFRAG Secretariat with support of individual SR TEG and SRB members prepared initial drafts that were subject to discussion in EFRAG SR TEG and SRB drafting sessions in May/July. **A large majority of EFRAG SR TEG members supported the content of the version discussed in July.**
7. In the second half of July until mid-August, the EFRAG Secretariat adjusted the draft to address EFRAG SRB comments, reorganizing the content and working on editorial enhancements, but the substance of the content is unchanged from the version supported by the SR TEG.

SRB of 23 August 2023

8. At its meeting of 23 August 2023, the EFRAG SRB confirmed that:



- a. there are no red-flags on the content in preparation of an SRB approval;
 - b. considering the support already expressed by the majority of SR TEG members on the content, to request EFRAG SR TEG to validate on a no-objection basis the present draft, subject to editorial changes;
 - c. despite the VCIG being ready for approval before MAIG, the MAIG and VCIG will be issued at the same time for comments given the connectivity between the documents and the references between them; and
 - d. to provide editorial comments in writing to the EFRAG Secretariat by 31 August 2023. EFRAG Secretariat will update members verbally on 4 September on the outcome of these comments.
9. The EFRAG Secretariat has been prompted to make further additions to the document as discussed in agenda paper 03-03.

Important information

10. EFRAG can only issue non-authoritative guidance in its role as technical advisor to the EC.
11. Furthermore, while drafting guidance, EFRAG cannot develop concepts or requirements that go beyond the content of the July 2023 delegated act. The guidance aims to illustrate the delegated act but not go beyond it. For new provisions, separate standard-setting activities in accordance with that process has to be concluded.
12. EFRAG is also establishing a process to answer questions from constituents similar to the IFRIC decisions under the IFRS framework.

Next steps

13. The EFRAG Secretariat will update the document for SR TEG's comments and for comments received from SRB members (expected to be editorial at this stage). After SRB approval, the VCIG will only be issued for comments from the public after the approval of the MAIG.

Additional agenda papers

14. In addition to this paper, this session has the following agenda papers:
 - a. Agenda paper 03-02 VCIG (Draft submitted to SRB for 23 August meeting);
 - b. Agenda paper 03-03 VCIG: *additional proposals*.

Questions for EFRAG SR TEG

15. Does EFRAG SR TEG agree to include the additional proposals in agenda paper 03-03 in the VCIG? Please explain.
16. Does SR TEG prefer a specific type of service entity and if so, please explain why.
17. Does the EFRAG SR TEG have drafting changes to be included in the guidance document (Agenda paper 03-02)?
18. Subject to these changes, have EFRAG SR TEG members objections to validate the document (the content was already supported by a large majority of them) to the SRB for issuance subject to editorial changes? Please explain.

