

Value Chain Implementation Guidance Cover Note

Objective

1. The objective of the session is to discuss [and tentatively approve] the value chain implementation guidance for issuance subject to possible editorial changes agreed by the SRB during this meeting.

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 EFRAG expects to publish draft guidance on these two issues for public consultation in the near future.*

Process so far

6. The EFRAG Secretariat, with input of individual SR TEG and SRB members, commenced drafting the implementation guidance based on the EFRAG draft ESRS submitted to the European Commission ('EC') in November 2022.
7. **EFRAG SR TEG has contributed to the development of this document in a number of drafting sessions and a large majority of the members supported its content. On this basis the SRB may deliberate on VCIG as presented subject to the SR TEG having a conclusive deliberation on 4 September 2023.**
8. As the EC was moving with its process for adoption of the delegated act in parallel to the drafting of the implementation guidance, and as the discussions on the guidance were drafting in nature, the SR TEG and the SRB sessions on these were held in private.
9. After adoption of the delegated act by the EC, the EFRAG Secretariat updated the guidance for the changes made by the EC and uploaded it for this meeting.



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. The content of the guidance presented for this meeting has not been discussed with the ISSB or GRI nor validated by FISMA.
13. EFRAG is also in the process of establishing a process to answer questions from constituents similar to the IFRIC decisions under the IFRS framework.

Next steps

14. The EFRAG SRB envisages releasing the guidance in draft for public comment once approved by the SRB and the SR TEG for a period of four weeks and then issuing the final document also after approval by SR TEG and SRB.

Additional agenda paper

15. In addition to this paper, Agenda paper 05-02 *VCIG* sets out the current draft of the value chain implementation guidance.

Questions for EFRAG SRB

16. Does the EFRAG SRB have drafting changes to be included in the guidance document (Agenda paper 05-02)?
17. Subject to these changes, does EFRAG SRB approve the document for public comment of four weeks subject to the conclusive deliberation of the SR TEG?

