

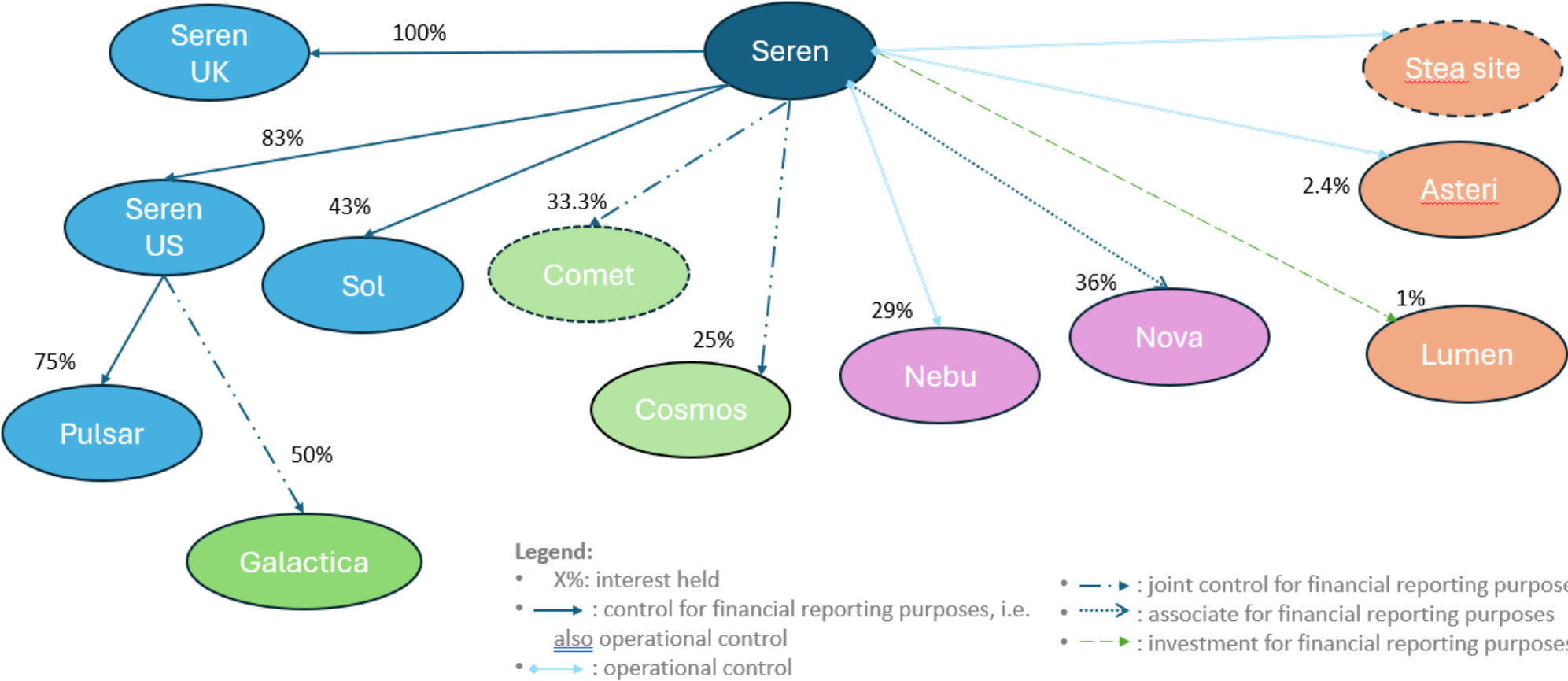
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VCIG: FAQ 5: Reporting perimeter for ESRS E1

Issues Paper

1. The following example of the corporate reporting of a fictional group, Seren, has been inspired by the [GHGP reporting standard](#), page 22 and 23.
2. Seren Group has a number of subsidiaries, joint arrangements and associates active in the production and marketing of chemicals. Its group structure and investments are as follows:
 - (a) A wholly owned subsidiary, Seren UK. As Seren is the parent of Seren UK for financial reporting purposes, it also controls its operational policies;
 - (b) A subsidiary called Seren US which has 17% held by outside shareholders.
 - (c) Seren US has a 75% stake in Pulsar, its subsidiary for financial reporting purposes. Ultimately its operational policies are determined by Seren.
 - (d) Galactica, a joint arrangement with Estrella classified as a joint venture under IFRS 11 *Joint Arrangements*. Seren's share of Galactica's emissions are regarded as significant for purposes of the GHG protocol.
 - (e) Seren holds a 43% stake in Sol which it calls a joint venture with Alexa. However, Sol is classified as a subsidiary of Seren for financial reporting purposes.
 - (f) Seren has joint control of Comet with two other parties which uses its and the joint operators' (for financial purposes) assets. It is therefore classified as a joint operation under IFRS 11. One of the other joint operators have operational control. Seren's share of the emissions are regarded as significant.
 - (g) Seren also has joint control of Cosmos with three other parties. Cosmos is an incorporated undertaking and is classified as a joint operation under IFRS 11 with Seren sharing in the assets/liabilities and income/expenses of Cosmos. The emissions are regarded as significant.
 - (h) Nebu, an associate for financial reporting (IAS 28 *Investments in Associates and Joint Ventures*) where Seren has operational control. Seren holds 29%.
 - (i) Seren holds 29% of Nova's shares and has classified it as an associate for financial reporting. Nova has control over its own operations.
 - (j) Seren holds 1% of Lumen's shares. Seren's share of the emissions are regarded as insignificant.
 - (k) Seren is the operator of Galaxy's subsidiary, Asteri in which Seren also holds 2.4%.
 - (l) Finally, Seren operates the Stea site owned by Galaxy.

3. The figure graphically depicts Seren Group whereas the table sets out the reporting under ESRS, GHG Protocol as well as how these entities impact the profit before taxation Seren.



4. The GHG emissions reporting under the protocol and ESRS would be as follows:

	Entity	Interest held	Control of operational policies	Other details	Operating profit under IFRS	GHG Protocol emission reporting ^G			ESRS	Comment
						Equity share approach	Financial control	Operational control		
a	Seren UK	100%	Seren	Wholly owned subsidiary	100% included	100%	100%	100%	100%	Own ops
b	Seren US	83%	Seren	Subsidiary	100% included	83%	100%	100%	100%	Own ops
c	Pulsar	75%	Seren	Subsidiary of Seren US	100% included	62.25% ^a	100%	100%	100%	Own ops
d	Galactica	50%	Estrella	JV of Seren US with Estrella	50% included as income from joint venture	41.5% ^b		0%	50% ^c	Scope 3 Investment
e	Sol	43%	Seren	Subsidiary	100% included	43%	100%	100%	100%	Own ops
f	Comet	33.3%	Rain	Unincorporated entity under joint control	Its revenue/expenses from its assets	33.3%	100%	100%	100% ^d	Own ops as own assets
g	Cosmos	25%	Cosmos	Incorporated entity under joint control	JO share of income ^e	25%	0%	0%	100%	Own ops as own assets
h	Nebu	29%	Seren	Associate, Seren's OC	29% as income from associate	29%	0%	100%	100%	Own ops as OC
i	Nova	36%	Nova	Associate under IAS 28	36% as income from associate	36%	0%	0%	36%	S 3 Inv.
j	Lumen	1%	Quasar	Subsidiary of Galaxy (outside Seren group)	Dividends and fair value changes	0%	0%	0%	0% ⁱ	
k	Asteri	2.4%	Seren	Subsidiary of Galaxy, Seren is operator (i.e. OC)	Revenues from activities as operator and dividends etc.	0%	0%	100%	100%	Own ops as OC
l	Stea site	-	Seren	Site where Seren is operator (i.e. OC)	Revenues from activities as operator	0%	0%	100%	100%	Own ops as OC

Legend:

a: 83% x 75

b: 83% x 50

c: On the assumption that transactions between Galactica and Seren do not create more than the equivalent of the equity share proportion of GHG emissions, reported as Scope 3 category 15: 100% (reflecting control over Seren US) x 50.

d: The emissions are from Seren's own assets and operations.

e: Seren treats the operations as if it conducted them directly and recognises the transactions in its financial statements (IFRS 11 par 21, 26 and BC 39).

G: The grey parts of this column come from GHG Protocol or is derived from it. The blue cells indicated that IFRS has changed in the meantime.

i: Regarded as not significant.

Question for EFRAG SR TEG

5. Does EFRAG SR TEG have comments on the proposed example?