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## **ID 177 – Links between AR16 and Disclosure requirements**

### **Question asked**

1. Is there a mapping link between the sustainability matters listed in AR 16 and the disclosure requirements in the topical standards or must judgement be used in deciding the disclosures required for a material sustainability matter?

### **Relevant background and fact pattern from the submitter**

2. The submitter tries “to understand the link between identifying material sustainability matters and arriving at the associated disclosure requirements”.
3. According to the submitter “many people will use the topic/sub/sub-sub topics in AR 16 as a completeness check of all sustainability matters when carrying out their double materiality assessment. Then they will consult the relevant topical standard for the relevant disclosures when a matter is deemed to be material. The question relates to whether there is a mapping link between the sustainability matter in AR 16 and the relevant disclosure requirement. For example, paragraph 42 of the implementation guidance for materiality assessment lists Health and Safety as a sustainability matter deemed material and then links this to S1-1, S1-4, S1-5 and S1-14. Is the conclusion that these 4 disclosures are required based on a mapping link or is it based on judgement/application of the preparer? “

### **Key terms:**

4. Correspondence between sustainability matters to disclosure requirements.

### **ESRS reference**

5. [Summary of references](#)

ESRS 1 Definition of materiality of information (paragraph 31)

ESRS 1 General requirements AR16

ESRS 1 Appendix E: Flowchart for determining disclosures under ESRS (and related par 33 (on PAT) and 34 (on metrics))

DRAFT IG1 2.2 Understanding key concepts for the materiality assessment

DRAFT IG1 2.3 Criteria to determine the materiality of information

## Detailed references

### 6. ESRS 1

*Para 31 The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an entity-specific disclosure, shall be disclosed when the undertaking assesses, as part of its assessment of material information, that the information is relevant from one or more of the following perspectives:*

*(a) the significance of the information in relation to the matter it purports to depict or explain; or*

*(b) the capacity of such information to meet the users' decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 48 and/or the needs of users whose principal interest is in information about the undertaking's impacts.*

*Para 33. When disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter and in the corresponding Minimum Disclosure Requirement on policies, actions, and targets required under ESRS 2. If the undertaking cannot disclose the information prescribed by either the Disclosure Requirements and datapoints in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective actions or set the respective targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.*

*Para 34 When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking:*

*(a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and*

*(b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.*

## **7. Other sources- Draft IG1 MAIG**

### **2.2 Understanding key concepts for the materiality assessment**

Para 41. Sustainability matters are defined in the Annex 2 of the delegated act as environmental, social and human rights, and governance factors, including sustainability factors defined in Article 2, point (24), of Regulation (EU) 2019/2088 (i.e., SFDR).

Para 43. As described in ESRS 1 paragraph 8, the three levels of granularity (i.e., topics, sub-topics and sub-sub-topics) are collectively called sustainability matters. To recap:

- (a) the goal of the assessment is to identify the material IROs related to matters to be reported (ESRS 2 SBM 3);
- (b) the matter is assessed as material when material impacts and/or material risks or opportunities arise from it (ESRS 1 paragraph 43 and 49); and
- (c) for each material matter, the undertaking determines the information to be reported in accordance with the cross-cutting or topical standards (ESRS 1 paragraph 30).

### 2.3 Criteria to determine the materiality of information

Para 49. Determining the materiality of information is a step that follows the MA leading to the identification of material matters to be reported on (see chapter 3 Materiality assessment- how is it performed?) and it is applied at the more granular level of DRs or datapoints. ESRS 1 paragraphs 31, 33-35 set requirements on how to assess materiality of information

Para 50. The criteria to determine the materiality of information are based on relevance (ESRS 1 paragraph 31):

- (a) the significance of the information in relation to the matter it depicts or its (b) decision-usefulness.

This is relevant for the primary users of general-purpose financial information (i.e., financial materiality focused) and/or for other users whose interest is on the undertaking's impacts (i.e., impact materiality). In practice, information that is relevant under perspective

- (b) (decision-usefulness) is in most cases also relevant under perspective (a) (significance). However, there could be cases where a piece of information is significant to depict the impacts of the undertaking on people or the environment, without necessarily being a relevant input for the users of the sustainability statement in its decision-making. When a matter is material from both an impact and a financial perspective, the information needs of the two groups of users (investors and others) will highly likely be the same in practice. In other cases, the information may differ (refer to FAQ 21 If a matter is material from the financial (or impact) perspective only, should disclosures cover all the requirements, or only information about the relevant perspective?).

### Answer

- 8 When performing its materiality assessment, the undertaking shall consider the list of sustainability topics, sub-topics and sub-sub-topics covered by the topical standards (ESRS E1, E2, E3, E4, E5, S1, S2, S3, S4, G1) and illustrated in the list of matters in ESRS 1 AR 16. This list is a tool to support materiality assessment: it can be used as a starting point, or for a completeness check; in both cases the undertaking shall also consider any entity-specific matter, not included in the list, in particular any sub-topic or sub-sub topic, when appropriate.

- 9 As per ESRS 1 para 33, once a matter from the list in ESRS 1 AR16 is assessed to be material, the undertaking shall disclose information according to the Disclosure Requirements related to that specific sustainability matter in the corresponding topical standard. In doing so:
- 10 when reporting on policies, actions and targets, the undertaking shall include the information required by the corresponding disclosure requirements in topical standards and the information required by ESRS 2 Minimum Disclosure Requirements on policies, actions and targets; and
- 11 when reporting on metrics, the undertaking applies ESRS 1 para 34 and reports on those metrics that are assessed to be material.
- 12 The general rule is that for a given topic, all sub-topics and sub-sub-topics listed in ESRS 1 AR16, all the disclosure requirements in the topical standard are relevant and applicable, subject to the requirements of ESRS 1 paragraphs 33 and 34.
- 13 However, there is a number of exceptions due to some peculiarities of the architecture of the topical standards, whereby the metrics only relate to one or a few sub-topics or sub-sub-topics. For example, in ESRS S1, the metrics were designed to be related to a sub-sub-topics rather than apply to all of them. Also to note that there are no metrics on ESRS S2 to ESRS S4.
- 14 The table below list the exceptions of metrics that relate only to one or some sub-topic or sub-sub-topics but not all the sub-topics/sub-sub-topics of a topical standard. Therefore, the metrics prescribed in a topical standard, and not included in this table, are to be understood as relevant and applicable to all the matters covered by that standard:

ESRS 1 AR16 – Explanatory note

ESRS	Topical metric	Related sub-topic /sub-sub-topic
<b>ESRS E1 Climate Change</b>	E1-7 GHG removals and GHG mitigation projects financed through carbon credits	Financing through carbon credits
	E1-8 Internal carbon pricing	Internal carbon pricing schemes
<b>ESRS E2 Pollution</b>	E2-5 Substances of concern and substances of very high concern	Substances of concern Substances of very high concern
<b>ESRS E5 Circular Economy</b>	E2-5 Resources inflows	Resources inflows, including resource use
<b>ESRS S1 Own workforce</b>	S1-8 Bargaining coverage and social dialogue	Social dialogue; freedom of association; and collective bargaining
	S1-9 Diversity metrics	Diversity
	S1-10 Adequate wages	Adequate wages
	S1-11 Social protection	Working conditions
	S1-12 Persons with disabilities	Persons with disabilities
	S1-13 Training and skills development metrics	Training and skills development
	S1-14 Health and safety metrics	Health and safety
	S1-15 Work-life balance metrics	Work-life balance
	S1-16 Compensation metrics (pay gap and total compensation)	Gender equality and equal pay for equal value; adequate wages.