

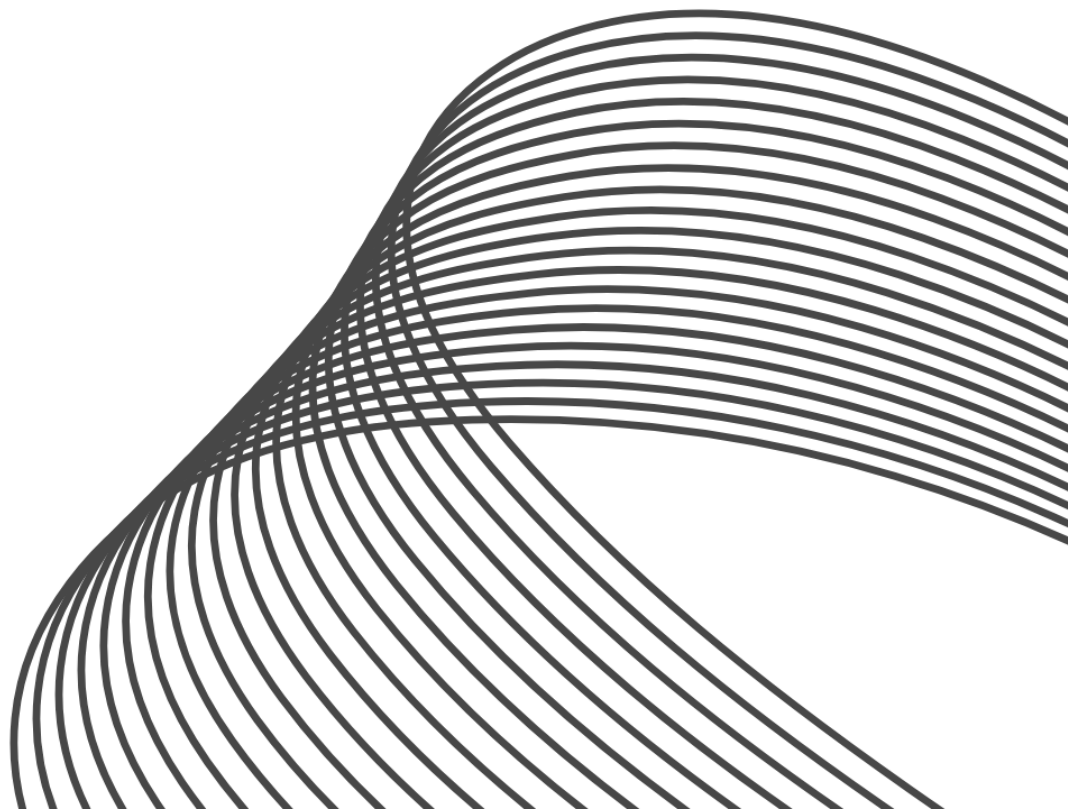


**EFRAG**  
sustainability reporting

# ESRS IMPLEMENTATION Q&A PLATFORM Explanations 1/2024

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The Questions in this document are identified by the progressive number (ID) that they receive at the beginning of the submission to the Q&A Platform. The system attributes identification numbers also to partial submissions. For this reason, the ID number is not indicative of how many questions EFRAG has finally received.

## Cross-cutting

### ID 39 – SBM-1 sector breakdown and phase-in

#### Question asked

What are the 'ESRS sectors' mentioned under the ESRS 2 Disclosure Requirement SBM-1 in paragraph 40 (b)?

#### ESRS references

ESRS 2 paragraph 40; ESRS 1 paragraph 137 and Appendix C: List of phased-in Disclosure Requirements

Key words: List of ESRS sectors

#### Background

ESRS 2 paragraph 40 states: 'The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect sustainability matters: . . . (b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors.'

ESRS 1 paragraph 137 states: 'Appendix C List of phased-in Disclosure Requirements in this Standard sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statement under the ESRS.'

ESRS 1 Appendix C states: 'The undertaking shall report the information prescribed by ESRS 2 SBM-1 paragraph 40(b) (breakdown of total revenue by significant ESRS sector) and 40(c) (list of additional significant ESRS sectors) starting from the application date specified in a Commission Delegated Act to be adopted pursuant to article 29b(1) third subparagraph point (ii), of Directive 2013/34/EU.'

The Accounting Directive Article 29b(1) third subparagraph point (ii) of Directive 2013/34/EU states: 'In the delegated acts referred to in the first subparagraph the Commission shall, by 30 June 2024, specify: . . . (ii) information that undertakings are to report that is specific to the sector in which they operate.'

#### Answer

The ESRS Sectors will be defined in a future delegated act, following the issuance of a draft ESRS to be prepared by EFRAG.

As the European Commission has not adopted a delegated act specifying the list of ESRS sectors, undertakings are not required to disclose the information referred to in ESRS 2 paragraph 40(b).

## ID 58 – Transitional provisions 750 employees

### Question asked

If Appendix C of ESRS 1 allows companies under 750 employees to omit E4 and S1-4 for the first three years, why does ESRS 2 paragraph 17 then say that the information still needs to be disclosed if considered material? Is there a difference in granularity of information disclosed?

### ESRS references

ESRS 1 Appendix C; ESRS 2 paragraph 17

### Background

ESRS 2 paragraph 17 states the following: ‘If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1, it shall nevertheless disclose whether the sustainability topics covered respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4 have been assessed to be material as a result of the undertaking’s materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:

- a. disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 16 ESRS 1 Appendix A that are assessed to be material and briefly describe how the undertaking’s business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;
- b. briefly describe any time-bound targets it has set related to the matters in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;
- c. briefly describe its policies in relation to the matters in question;
- d. briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and
- e. disclose metrics relevant to the matters in question.’

ESRS 1 paragraph 137 states: ‘Appendix C List of phase-in Disclosure Requirements in this Standard sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statement under the ESRS.’

Appendix C of ESRS 1 ‘List of phase-in Disclosure Requirements’ has the following table:

ESRS	Disclosure Requirement	Full name of the Disclosure Requirement	Phase-in or effective date (including the first year)
ESRS E4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS E4 for the first 2 years of preparation of their sustainability statement.
ESRS S1	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S1 for the first year of preparation of their sustainability statement.

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ESRS S2	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S2 for the first 2 years of preparation of their sustainability statement.
ESRS S3	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S3 for the first 2 years of preparation of their sustainability statement.
ESRS S4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S4 for the first 2 years of preparation of their sustainability statement.

### Answer

The transitional provisions apply to undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable). The option is to omit the information required by all the disclosure requirements in the following topical standards: ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4.

The regime of these provisions varies depending on the topical standard. The transitional provisions on ESRS S1 only apply to the first year of preparation of the undertaking's sustainability statement. For ESRS E4, ESRS S2, ESRS S3 and ESRS S4, the provisions apply to the first two years of preparation of the sustainability statement.

When information about a topic is omitted, the undertaking is nevertheless required to include the topic in the scope of the materiality assessment. When information required by one of these topical standards is omitted but the topic is assessed to be material, 'de minimis' disclosures shall be reported covering the material topic in question (ESRS 2 paragraph 17).

The materiality assessment covers the environmental, social and governance matters connected to the undertaking as established by the CSRD (i.e., a climate-first approach or an environmental only approach was not the intention of the co-legislators); the sustainability statement is to include a holistic view of sustainability matters regardless of whether social standards are subject to transitional provisions. Hence, the ESRS 2 paragraph 17 provision aims at ensuring that there is a certain level of 'minimal disclosures' that are required regardless of whether the undertaking chooses to apply the transitional provisions.

The transitional provisions allow undertakings to provide less granular information than what is required after the transition period. The information to be provided for the matters are more summarised (i.e., as briefly as referred to in the text) than the requirements set out in the five topical standards mentioned above. The main simplifications in paragraph 17 compared to paragraph 48 of ESRS 2 are the following:

- Paragraph 48 (a): Under ESRS 2 paragraph 17, the undertaking may choose to disclose at topic, subtopic or sub-subtopic level, and separate disclosure of material impacts, risks and opportunities is not required. The undertaking is not required to disclose where in its business model, its own operations and its upstream and downstream value chain material IROs are concentrated.

- Paragraph 48(b) relates to how the undertaking takes into account material impacts on its strategy and business model. This information related to impacts can be disclosed at a summarised level without all the granularity required by the datapoints therein.
- Paragraph 48(c) to (h) sets requirements to disclose more detailed information about material IROs. As these are not required to be identified in the transition period, these datapoints do not form part of the 'de minimis' disclosures. While this is not a requirement, in the transitional period it may be helpful to briefly disclose the information on paragraph 48(c) to contextualise the material impacts identified.

ESRS 2 paragraph 17(b) to (e) provides de minimis information corresponding to disclosure requirements in topical standards in case an undertaking elects not to disclose topical information in the transition period. The transitional provision requires a summarised description of the policies, actions and targets and does not require to fulfil the detailed datapoints in MDR (P, T, A) in ESRS 2 and/or topical standards.

Finally, for metrics, the undertaking is to apply judgement to fulfil the requirements of metrics in topical standards. Such judgement relates to the number and nature of metrics disclosed (i.e., the undertaking may disclose a reduced number of metrics and not all the metrics that are material) and the level of granularity of the metric (for example, the metric may be presented at a global level without breakdowns).

## ID 106 – Entity-specific guidance and examples

### Question asked

What are concrete examples of potential entity-specific sustainability matters and any guidance related to finding and dealing with such?

### ESRS references

ESRS 1 chapter 10.1 and paragraphs AR 4 and 5; ESRS IG 3 Materiality assessment paragraph 67.

### Background

ESRS 1 chapter 10.1 'Transitional provision related to entity-specific disclosures' states in its paragraphs the following:

'130. The extent to which sustainability matters are covered by ESRS is expected to evolve as further Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time, in particular as a result of the future adoption of sector specific standards.

131. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it may as a priority:

- a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and
- b) complement its disclosures prepared on the basis of the topical ESRS with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using available best practice and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.'

ESRS1 AR 4 and 5 state:

'AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider: comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity-specific disclosures. The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible.'

'AR 5. Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.'

### Answer

At this stage, it is not possible to provide concrete examples as this will depend on facts and circumstances of the reporting undertaking, including the sector(s) it is operating in. Sector-specific sustainability matters will be addressed in the future sector standards still to be finalized.

When developing entity-specific disclosures (ESRS 1, paragraph 11), ESRS 1 points to 'available and relevant frameworks, initiatives, standards, benchmarks'. Two examples are provided as possible sources of relevant entity-specific disclosures (see ESRS 1 paragraph 131(b)): the IFRS industry-based guidance and the GRI Sector Standards.



The IFRS industry-based guidance is the former SASB standards; they can be found here: <https://sasb.org/standards/download/> and GRI Sector Standards can be downloaded from <https://www.globalreporting.org/standards/sector-program/>

These two sources offer examples of sector-specific information that could complement on an entity-specific basis the information required in sector-agnostic ESRS depending on the relevant sector.

In general, there are two types of instances that will give rise to entity-specific information:

- when the undertaking identifies a material matter that is not covered by Disclosure Requirements in ESRS; and
- when, for a matter that is covered by Disclosure Requirements in ESRS, the undertaking concludes that in order to provide information that meets the qualitative characteristics of the information (Appendix B of ESRS 1) additional disclosures need to be included. This may be the case for a specific aspect of a sub-subtopic (see AR 16 of ESRS 1) when such a sub-subtopic is covered in ESRS but the specific aspects (i.e., an additional level of granularity) is not covered. This may also be the case for a specific metric that is not included in ESRS, but considering the specific facts and circumstances of the undertaking, this metric is necessary in order to provide the appropriate quality of information.

The entity-specific information may relate to the description of a material impact, risk or opportunity (along the lines of ESRS 2 SBM 3), it may relate to policies, actions and targets that the undertaking has set, or it may relate to metrics.

## ID 157 – ESRS 2 GOV disclosures and specifications in the topical ESRS

### Question asked

If there is no additional guidance, then do the other disclosure requirements do not apply to the topical standard (meaning Gov 1 and Gov 2 do not apply)? Or do they all still apply, but there is just more guidance to follow (such that there is more specific guidance for Gov 3 specifically when reporting on E1)?

The question has been reworded as follows to be clearer:

*When a topical standard does not include Disclosure Requirements that are applicable jointly with ESRS 2 (ref. to Appendix C of ESRS 2), are ESRS 2 requirements applicable in relation to that topic?*

### ESRS references

ESRS 2 GOV 1 to GOV 5; ESRS 1 paragraph 29; ESRS E1 paragraph 13.

### Background

In the architecture of the ESRS, the two cross-cutting standards ESRS 1 *General Requirements* and ESRS 2 *General Disclosures* are complemented by ten topical standards (E, S and G).

ESRS 2 disclosure requirements are ‘cross-cutting in nature’, so they do not refer to a specific topic, but some of them also have topical specifications in the topical standards as explained in ESRS 2 Appendix C. An example is ESRS 2 GOV-3 ‘Integration of sustainability-related performance in incentive schemes’: this disclosure requirement (paragraphs 27-29) has a specification in the climate topical standard ESRS E1 paragraph 13.

A basic principle is that the requirements in the topical standards should be read and applied in conjunction with the cross-cutting standards.

Furthermore, all topical standards are subject to materiality assessment.

### Answer

Disclosure Requirements (DRs), including their datapoints, in the cross-cutting standard ESRS 2 *General Disclosures* are to be reported irrespective of the outcome of the materiality assessment (for example, GOV-1, GOV-2, GOV-3, GOV-4, and GOV-5), see ESRS 1 paragraph 29. The content of ESRS 2 (with the exception of MDR – P, A, T) is not intended to provide a content to be followed in each and every topic, but it provides content that is to be provided at corporate/general level (across all the topics).

All topical standards should be read in conjunction with the cross-cutting standards ESRS 1 and ESRS 2, as these apply to the sustainability statement as a whole.

There are datapoints related to the ESRS 2 DRs in some of the topical standards. These are outlined in the table in ESRS 2 Appendix C, *Disclosure and Application Requirements in Topical ESRS that are applicable in conjunction with ESRS 2 General disclosures*. They include GOV-1 in ESRS G1 ‘Business conduct’, paragraph 5, and GOV-3 in ESRS E1 ‘Climate change’, paragraph 13. The topical specifications of ESRS 2 DRs listed in Appendix C of ESRS 2 provide additional datapoints that shall be included and/or additional considerations that the undertaking has to take into account when preparing the respective ESRS 2 DRs.

In terms of the scope of the materiality assessment:

- ESRS 1 Paragraph 29 specifies the Disclosure Requirements always to be included irrespective of the outcome of materiality. These include the ESRS 2 IRO-1 requirements (listed in Appendix C of ESRS 2) that are located in the topical standards, which are to be applied also if the respective topic is not material.

- Other ESRS 2 specifications (listed in Appendix C of ESRS 2) and the other disclosure requirements located in topical standards are subject to materiality assessment. This implies that the undertaking only has to report on them when the respective topic is considered material. This avoids having to report, for example, on GOV-1 'Business conduct' (topical standard) if the topic 'Business conduct' has been determined not to be material to the undertaking.
- All narrative disclosures including those in ESRS 2 should be applied with consideration to paragraph 31 of ESRS 1, which sets the criteria for assessing the materiality of information to be provided and ultimately affect the granularity of the reported information.

When a Disclosure Requirement in ESRS 2 does not have topical specifications, ESRS 2 has to be applied as specified in ESRS 2 disclosure requirement. No additional datapoints to those in ESRS 2 or considerations at topical level apply in these cases. If ESRS 2 does not set topical specifications for a given topic, ESRS SBM 3 requires nevertheless to disclose material impacts, risks and opportunities for that material topic.

## ID 162 - Minimum number of material matters

### Question asked

Is there a minimum number of material sustainability matters to be disclosed in the sustainability statement of the undertaking?

### ESRS references

ESRS 1 chapter 3

Key words: Minimum number of material sustainability matters

### Background

ESRS 1 paragraph 28 states: ‘A sustainability matter is “material” when it meets the criteria defined for impact materiality . . . or financial materiality . . . or both.’

[draft] ESRS IG 1 paragraph 1 states: ‘The materiality assessment is the process by which the undertaking determines material information on sustainability impacts, risks and opportunities. This is achieved by the determination of material matters and material information to be reported in the undertaking’s sustainability statement. The performance of a materiality assessment based on objective criteria is pivotal to sustainability reporting which shall include relevant and faithful information about all impacts, risks and opportunities (IROs) across environmental, social and governance matters determined to be material from the impact materiality perspective or the financial materiality perspective or both. The undertaking will use judgement when applying the criteria and the related explanations are expected to aim at enhanced transparency from the undertaking to the users of the sustainability statement.’

The Application Requirements in Appendix A of ESRS include a list of sustainability matters covered in ESRS.

### Answer

There is no minimum (or maximum) number of material sustainability matters required by ESRS, as materiality is based on the undertaking’s specific facts and circumstances.

Materiality is a principles-based concept. [draft] ESRS IG 1 – Materiality assessment provides non-authoritative guidance on how to conduct the materiality assessment. Materiality of a sustainability matter for an undertaking depends on the specific facts and circumstances related to its strategy, business model, own operations and value chain. Based on those specific facts and circumstances, a number of material impacts, risks and opportunities will be identified as a result of the materiality assessment.

## ID 180 – Time horizon: impact versus financial materiality

### Question asked

Is there a difference between the time horizon as defined in ESRS 1 for impact materiality and for financial materiality?

### ESRS references

ESRS 1 chapter 6.4.

Key words: Difference between time horizon for impact and for financial materiality.

### Background

ESRS 1 paragraph 77 states: ‘When preparing its sustainability statement, the undertaking shall adopt the following time intervals as of the end of the reporting period:

- for the short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements;
- for the medium-term time horizon: from the end of the short-term reporting period defined in (a) up to five years; and
- for the long-term time horizon: more than five years.’

ESRS 1 paragraph 80 states: ‘There may be circumstances where the use of the medium- or long-term time horizons defined in paragraph 77 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts, risks and opportunities or (ii) the definition of its actions and setting targets. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments or the planning horizons typically used in the undertaking’s industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long-term time horizons (see ESRS 2 BP-2, paragraph 9).’

ESRS 1 Basis of Conclusions paragraph 124 states: ‘The SRB discussed whether to prescribe mandatory time horizons for short-, medium- and long-term for reporting purposes or whether they should be entity-specific based on its business model, industry-characteristics, and its planning horizon. Feedback from public consultation in that respect was ambiguous. Preparers generally preferred an entity-specific approach to be able to use already existing data consistent with their managerial processes, whereas users a more standardized approach for better comparability across undertakings. Noticing that many of the forthcoming first-time sustainability reporters need guidance, to increase comparability the SRB decided to prescribe conventional time periods but to allow deviations from the medium- and long- term time horizons based on entity-specific circumstances, acknowledging also that – depending on the sustainability matter and sector concerned – other time horizons within the long-term horizon might be useful and therefore prevail at topical level.’

### Answer

Time horizons are defined in ESRS 1 chapter 6.4, setting fixed time horizons for the short-, medium- and long-term with no distinction being made between impact and financial materiality.

However, ESRS 1 paragraph 80 acknowledges that there may be circumstances in which the undertaking uses a different definition of its time horizons compared to the fixed time horizons set in ESRS 1 paragraph 77. This exception to the general rule has been granted to take into

account entity-specific circumstances to manage sustainability-related impacts, risks and opportunities.

When applying either the predefined time horizons or when the exception is used and as a result another entity-specific time horizon is used instead of the predefined time horizon, potential or actual impacts may have a different time horizon than risks or opportunities arising from the same sustainability matter (and their related financial effects). Similarly, actions put in place to address impacts may have a different time horizon than actions put in place to address risks or opportunities. Transparency about time horizons is required in connection with impacts and anticipated financial effects, as stated in ESRS 2 SBM-3 paragraph 48 (c) and (e).

## Environment

### ID 36 – Energy mix

#### Question asked

Does disclosure E1-37(b) refer to all forms of energy generated from nuclear sources, such as electricity? Does ESRS E1 paragraph 37(b) also encompass electricity mixes that include fractions of nuclear-generated electricity?

#### ESRS references

ESRS E1-5, ESRS E1 paragraph AR 34, ESRS E1 paragraph AR 35

Key words: Energy consumption and mix, nuclear source;

#### Background

ESRS E1 paragraphs 35-37 state:

‘35. The undertaking shall provide information on its energy consumption and mix.

36. The objective of this Disclosure Requirement is to provide an understanding of the undertaking’s total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.

37. The disclosure required by ESRS E1 paragraph 35 shall include the total energy consumption in MWh related to own operations disaggregated by

- a. total energy consumption from fossil sources;
- b. total energy consumption from nuclear sources; and
- c. total energy consumption from renewable sources disaggregated by
  - i. fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources, etc. . . .’

ESRS 2 MDR-M paragraph 77 requires the undertakings to disclose the significant assumptions behind the metric, including the limitations of the methodologies used.

#### Answer

ESRS E1 paragraph 37(b) requires the disclosure of total energy consumption from nuclear sources.

AR32(d) clarifies that the energy to be reported should refer to ‘final energy consumption’, which includes energy carriers such as electricity, heat and steam that can be and are frequently derived from nuclear sources.

A company disclosing on the basis of ESRS 1 paragraph 35 should thus report the final energy consumption taking into account its energy mix, which may involve proportions of nuclear-generated electricity, heat, steam, and cooling; fossil-fuel generated electricity, heat, steam, cooling and fuels; or renewable electricity, heat, steam, cooling and fuels.

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This disclosure requires the undertaking to understand from its consumption of electricity which portions originate from nuclear, fossil or renewables sources. When electricity, heat and steam are purchased and the mix includes fractions of nuclear-generated electricity, heat, and steam, these fractions are to be included in the disclosures under ESRS E1 paragraph 37(b) on total energy consumption from nuclear sources. The undertaking should use the information available on the electricity, heat and steam mix to reflect its energy consumption breakdown according to ESRS E1 paragraph 35 accurately.



## ID 43 - Scope 3 GHG emissions for insurance companies

### Question asked

What is the scope of reporting scope 3 greenhouse gas emissions for insurance companies?

### ESRS references

ESRS 1, section 3.2 (Material matters and material information).

ESRS E1 Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, as well as other paragraphs related to Scope 3, in particular: paragraphs: 44 (c), 45 (c), 46, 51, 52, as well as AR 39 (a) and AR 46 (b).

Principle of relevance, as defined in the “GHG Protocol Corporate Accounting and Reporting Standard” and further articulated in “relevance criteria” by the “GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard”, as well as the “Technical Guidance for calculating Scope 3 Emissions”.

Key words: Materiality assessment, Materiality, Relevance; Scope 3 GHG emissions, insurance companies, financial investment.

### Background

The determination of which categories of Scope 3 greenhouse gas emissions to include in the sustainability statement is driven by the materiality assessment of the company, namely in the scope of the analysis of ESRS 1 paragraph 31, which states that ‘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.’

If climate change is considered a material topic by the undertaking, insurance companies are required by ESRS E1 paragraphs 44 and 51 to disclose their gross Scope 3 greenhouse gas (GHG) emissions for each of the Scope 3 categories that they assess to be ‘significant’, encompassing emissions within their upstream and downstream value chain. This includes emissions over which the company does not have direct control but that may have a significant impact on its overall carbon footprint and transition risks, as outlined in ESRS E1 paragraph 45.

In making its evaluation of the ‘significant Scope 3 categories’, the company shall consider, in accordance with ESRS E1 AR39(a), the principles, requirements and guidance of the GHG Protocol Corporate Standard. The GHG Protocol also includes a supplement ‘GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard’ (also referred to in this document as ‘GHGP Scope 3 standard’), which makes reference as well to the GHG Protocol ‘Technical Guidance for calculating Scope 3 Emissions’ (v1.0), a supplement to the GHGP Scope 3 standard.

The GHG Protocol Scope 3 Category 15 is specifically tailored to financial institutions – which includes insurance undertakings – and the following financial investments and services are required to be reported (under the GHG Scope 3 standard, Table 5.9, pp.52): equity investments, debt investments and project finance.

ESRS E1 paragraph AR 46 states that the financial institution shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A 'Financed Emissions' (version December 2022).

**Supporting material**

<https://ghgprotocol.org/sites/default/files/2022-12/Chapter15.pdf>

<https://ghgprotocol.org/scope-3-calculation-guidance-2>

**Answer**

When reporting on their gross Scope 3 greenhouse gas (GHG) emissions, the undertaking discloses the amounts corresponding to the Scope 3 categories that it considers significant. For investments, this will factor in the scale of the investments and the associated indirect GHG emissions. The company should follow the principles, requirements and guidance laid out in the GHG Protocol Corporate Standard, the GHGP Scope 3 standard as well as the associated Scope 3 calculation guidance. Moreover, as stated in ESRS E1 paragraph AR 46(b), financial institutions shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial ([PCAF](#)), specifically part A 'Financed Emissions' (version December 2022).

## ID 81 – Subsidiaries, holding company – alignment for GHG protocol

### Question asked

Should the companies of a holding company use the same criteria and methodology for GHG emissions?

The question has been reworded as follows to be clearer:

*Should all the subsidiaries and the parent company in a consolidated sustainability statement use the same criteria and methodology for GHG emissions?*

### ESRS references

ESRS 1 Appendix B: Qualitative characteristics of information.

ESRS 2, paragraph 77(a);

ESRS E1 paragraphs 50, AR 39(b), AR 42, and AR 46(h).

Key words: GHG protocol, holding companies, alignment in methodology;

### Background

ESRS 1 Appendix B, qualitative characteristics of information shall be applied in the preparation of the ESRS sustainability statement.

ESRS2 paragraph 77(a) requires the disclosure of methodologies and significant assumptions behind metrics; ESRS E1 paragraph AR 39(b) requires the undertaking to disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions; ESRS E1 paragraph AR46(h), on Scope 3 emissions, requires clarity on the boundaries considered and the methods used for estimating emissions. All these requirements point to the advantages of using a uniform approach for ease of understanding and transparency.

### Answer

All subsidiaries and their parent undertaking shall apply the requirements of ESRS, including the qualitative characteristics of information in ESRS 1 Appendix B. The GHG Protocol is the reference for the calculation of GHG emissions following ESRS E1. The sustainability statement shall include the methodology and the significant assumptions made by the parent and subsidiaries regarding GHG emissions, as stated in ESRS E1 paragraph AR 39.

ESRS does not exclude flexibility in the methodologies used by different undertakings in the same group, provided that the qualitative characteristics of information are met.

A standardised approach from the onset is advantageous for its consistency, comparability, transparency and the overall integrity of reported GHG emissions.

Deviations from a common methodology can be accepted but should be disclosed, along with the rationale for their use, to meet the transparency requirements set forth by the ESRS.

Using diverging methodologies for similar or comparable fact patterns can result in information that may not comply with the qualitative characteristics of information required by the ESRS (ESRS 1, Appendix B).

## ID 109 – Disclosure Requirement E1-6

### Question asked

Is the ‘bolded paragraph’ following each ESRS Disclosure Requirement a disclosure that the undertaking has to respond to? Or is it simply a ‘headline’ that prescribes what the paragraph will contain once all the individual datapoints are completed? Reference is made to ESRS E1-6.

### ESRS references

ESRS 2 and all topical ESRS, and Disclosure Requirement E1-6

Key words: bold text in Disclosure requirements

### Background

In ESRS 2 and in the topical ESRS, Disclosure Requirements are generally followed by a ‘bold paragraph’ stating ‘The undertaking shall disclose . . .’ with a general statement of the information that needs to be disclosed under the respective Disclosure Requirement.

The ‘bold paragraph’ is followed by an objective paragraph, which is followed by more detailed paragraphs containing the datapoints that must be disclosed under the respective Disclosure Requirement and further specifications of the information being requested.

In the case of ESRS E1-6, this is as follows:

ESRS E1 paragraph 44 provides a ‘bold paragraph’ with the general statement of the requirement that needs to be satisfied under DR E1-6;

ESRS E1 paragraph 45 outlines the objective of the disclosure requirement; and

ESRS E1 paragraphs 46-52 further specify information to be included when disclosing on ESRS E1 paragraph 44.

This is illustrated as follows:

<i>Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions</i>		Headline
44. The undertaking shall disclose in metric tonnes of CO <sub>2</sub> eq its <sup>45</sup> :	(a) gross Scope 1 GHG emissions; (b) gross Scope 2 GHG emissions; (c) gross Scope 3 GHG emissions; and (d) total GHG emissions.	General statement of the requirement(s)
45. The objective of the Disclosure Requirement in paragraph 44 in respect of:	(a) gross <b>Scope 1 GHG emissions</b> as required by paragraph 44 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes. (...)	Objective of the requirement(s)
46. When disclosing the information on <b>GHG emissions</b> required under paragraph 44, the undertaking shall refer to ESRS 1 paragraphs from 62 to 67. In principle, the data on GHG emissions of its associates or joint ventures that are part of the undertaking’s upstream and downstream value chain (ESRS 1 Paragraph 67) are not limited to the share of equity held. For its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions in accordance with the extent of the undertaking’s <b>operational control</b> over them.		Further specification of the information requested
47. In case of significant changes in the definition of what constitutes the reporting undertaking and its upstream and downstream <b>value chain</b> , the undertaking shall disclose these changes and explain their effect on the year-to-year comparability of its reported <b>GHG emissions</b> (i.e., the effect on the comparability of current versus previous reporting period GHG emissions). (...)		

### Answer

The ‘bold paragraph’ that introduces each Disclosure Requirement is not simply a headline. It is a general statement of what needs to be disclosed under the respective Disclosure Requirement.

The information provided under a Disclosure Requirement should satisfy the overall objective of it, as stated in the paragraph following the bold paragraph ('the objective of this Disclosure Requirement is . . .').

The subsequent paragraphs include a list of datapoints ('the disclosure provided under paragraph XXX shall include . . .'). This list is generally sufficient to meet the disclosure requirements; however, such a list cannot be assumed to be exhaustive, as meeting the disclosure requirement takes precedent over the list of datapoints.

In providing the disclosure that corresponds to the list of individual datapoints (if applicable per the related Application Requirements), it is assumed that both the following are met:

- requirements of the 'bold paragraph'; and
- objective as stated in the subsequent paragraph.

The 'bold paragraph' of ESRS E1-6 (i.e., ESRS E1 paragraph 44) covers Scope 1, 2 and 3 and total GHG emissions. The objective of the Disclosure Requirements also covers Scope 1, 2 and 3 and total GHG emissions. ESRS E1-6 paragraph 52 mentions the total GHG emissions. The total GHG emissions shall be reported as it is included in both the bold paragraph and the objective.

## ID 167 - GHG Protocol Scope 3; Sector

### Question asked

Is there a requirement for, or guidance around, the methods allowed to calculate Scope 3 emissions from shipping?

### ESRS references

ESRS 1 Annex B: qualitative characteristics of information

ESRS E1 paragraph 44, ESRS E1 paragraph AR39, AR46

### Background

ESRS 1 Annex B, on qualitative characteristics of information, provides important principles and criteria to apply in the assessment of which calculation methodologies and which input data to use in the preparation of ESRS disclosures.

ESRS E1 paragraph 44 requires the disclosure of gross Scope 3 GHG emissions, and ESRS E1 AR39(a) states that the undertaking shall consider the principles, requirements and guidance provided in the GHG Protocol Corporate Standard (version 2004), which in this case also includes the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011 mentioned in ESRS E1 AR 46(a)) as well as the 'Technical guidance for calculating Scope 3 emissions' (version 1.0).

ESRS E1 paragraph AR 46 details other requirements related to the reporting of Scope 3 GHG emissions. In particular, ESRS E1 paragraph AR 46(g) highlights the need to disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners.

Other methodological details that go beyond the provisions included in the 'Technical guidance for calculating Scope 3 emissions' (version 1.0) are not provided within the ESRS. Additional provisions may be envisaged as part of future ESRS sector standards.

### Answer

The ESRS set reporting standards but do not prescribe detailed calculation methodologies. However, when determining the methodology and input to be used, the undertaking shall apply the criteria defined under ESRS 1 Annex B, qualitative characteristics of information, as well as requirements to consider the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011 mentioned in ESRS E1 AR 46(a)) and the 'Technical guidance for calculating Scope 3 emissions' (version 1.0). Additional provisions may be envisaged as part of future ESRS sector standards.

## Social

### ID 33 – Definitions of non-employees

#### Question asked

Which groups can be considered as employees or non-employee workers in line with the German HGB respectively other national laws?

#### ESRS references

ESRS S1 paragraph 50(a), ESRS S1 paragraph 55(a), ESRS S1 paragraph 4, ESRS S1 paragraph AR3

Key words: Non-employees; Employees

#### Background

ESRS S1 paragraph 4 describes the scope of ESRS S1 and states: ‘this Standard covers an undertaking’s own workforce, which is understood to include both people who are in an employment relationship with the undertaking (“employees”) and non-employees who are either people with contracts with the undertaking to supply labour (“self-employed people”) or people provided by undertakings primarily engaged in “employment activities” (NACE Code N78). See Application Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect their status pursuant to applicable labour law.’

In addition, ESRS S1 paragraph AR3 gives a number of examples of people who fall within the category of non-employees and are included within ‘own workforce’; these are (a) contractors (self-employed persons) and ‘(b) people employed by a third party engaged in “employment activities” which include people who perform the same work that employees carry out.’

#### Answer

Since there is no definition of ‘employee’ provided under EU law, the status as an employee is determined at the national level according to national laws and practice (employees are individuals who are ‘in an employment relationship with the undertaking according to national law and practice’).

The national labour law or practice of each country defines what type of contracts constitute an employment relationship (i.e., an employee) and those that relate to non-employees.



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