

To: Corporate Reporting - Investments & Sustainable Finance WG  
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 Subject: EFRAG releases new batch of explanations on ESRS

## Summary

On 6 December, the European Financial Reporting Advisory Group (EFRAG) released a new batch of 64 explanations on the European Sustainability Reporting Standards (ESRS) which has been added to its Compilation of Explanations on the ESRS – or EFRAG ESRS Q&A Platform: [here](#).

With the addition of the new batch, categorised as November batch, the [Compilation of Explanations](#) on the ESRS now presents a total of 157 explanations. Amongst the 64 explanations of November, the most relevant ones for (re)insurers are as follows:

ID	Question	Answer
177 – Mapping sustainability matters as listed in ESRS 1 paragraph AR 16 with Disclosure Requirements	Is there a mapping link between the sustainability matters listed in ESRS 1 paragraph 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?	Due to its size, ID 177 has been placed in a separate document: <a href="#">ID 177 - Mapping sustainability matters with disclosure requirements</a>
339 – Use of secondary data and social protection	May estimates or secondary data also be used for social topics if they concern social protection on own workforce?	No, estimates or secondary data may not be used to determine if an undertaking’s employees are covered by social protection for this non-quantitative datapoint ... However, this does not rule out that some interpretation by the reporting undertaking may be needed when compiling the information, e.g. when laws about health insurance in a country in which the undertaking operates are not perfectly clear about the kinds of illness that are covered.
389 – Annual total remuneration ratio and types of workers	When computing the annual total remuneration, do we consider the same salary components for both the highest paid individual and the employees (e.g. benefits in cash / benefits in kind)?	ESRS S1 paragraph AR 101 states: ‘When compiling the information required by paragraph 97(b), the undertaking shall ... (b) consider, depending on the undertaking’s remuneration policies, benefits in kind, such as cars, private health insurance, life insurance, wellness programs. The same components shall be considered for both the highest paid individual and the median total remuneration of employees.
734 – Disclosure of progress in meeting climate-related targets	Can undertakings add the amount of emissions reduced before their new base year to the actual emissions of the new base year and therefore suggest that the past emissions have not been realised?	No, an undertaking cannot add the amount of emissions reduced before its new base year to the actual emissions of the new base year and therefore suggest that the past emissions have not been realised.
753 – Financial	Shall a matter included in the financial statements of the undertaking that is outside of	A transaction or contract included in the financial statements and the sustainability matter related to it

materiality in the value chain and power purchase agreements	its value chain be reported in the undertaking's financial materiality assessment?	cannot be considered outside the value chain. Financial materiality in the sustainability statement includes items that arise from the undertaking's own operations and items that arise in its value chain.
935 – Financial effects	What is the difference between current financial effects in ESRS 2 paragraph 48 (d) and anticipated short-term effects in ESRS 2 paragraph 48 (e)?	Current financial effects are defined as 'financial effects for the current reporting period that are recognised in the primary financial statements'. Anticipated financial effects are defined as 'financial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects'. Anticipated financial effects includes the financial effects that are not 'current financial effects'.
1019 – Sustainability matter expected to become material in the future	Consider an undertaking that has a business plan approved for a three-year duration. The undertaking expects a given impact or risk to arise in four to five years and be material then. Shall the matter be considered material for the reporting period?	Yes, the materiality assessment is not limited to a business plan time-horizon.
1026 – Definition of end users	Does the definition of end users include workers at the client?	ESRS define 'end users' as 'individuals who ultimately use' a product or service. In the fact pattern accompanying the question, which is reproduced in 'Background', this does not include workers of a business customer of the reporting undertaking ... Whatever the characteristics of each situation, the undertaking must avoid double-counting the same impact by reporting it a first time as an impact on its value chain workers and a second time as an impact on end users
1039 – Time horizon	How changing the materiality of a sustainability matter over the three timeframes influences Disclosure Requirements? e.g. whether the matter of water is deemed not material for the short- and medium-term impact materiality but material in the long-term.	Yes. ESRS 1 paragraph 43 states for impact materiality, and paragraph 49 for financial materiality, that: 'A sustainability matter is material when it pertains to / if it triggers X over the short-, medium- or long-term'.
1297 – Level of disaggregation	What is the level of disaggregation in the sustainability statement of a group with multiple legal entities per country in the EU and outside EU?	The undertaking is expected to report at a legal entity level if for specific matters or material IROs this corresponds to the criteria in ESRS 1 paragraph 54 and 56 (e.g. one legal entity per country and 'significant variations of material impacts, risks and opportunities across countries' as well as higher-level aggregation would obscure information) ... Conversely, the undertaking is expected to report information aggregated at group level (or for a cluster of legal entities) if it assesses that a more granular level of disaggregation is not necessary.

### Next steps

Explanation to [ID\\_803](#) – Own operations versus operational control has not been approved yet by EFRAG Sustainability Reporting Board, therefore it was not included in the November batch.

EFRAG informed that its work on the ESRS Q&A Platform will experience a "quiet period" in January-February 2025, and it is expected to resume in March 2025.