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Dear Mr de Cambourg

Draft EFRAG ESRS Implementation Guidance

We appreciate the opportunity to comment on EFRAG’s first three draft ESRS Implementation Guidance documents, namely *Draft EFRAG IG 1: Materiality assessment implementation guidance, Draft EFRAG IG 2: Value chain implementation guidance* and *Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance*. We have consulted with, and this letter represents the views of, the KPMG network.

We welcome EFRAG’s efforts to develop guidance on materiality and value chain as interpretations of these areas will be critical in supporting consistency and comparability in reporting. The guidance will also be critical in determining whether ESRS deliver the interoperability and cost-benefit balance expected from the CSRD that was reflected in the changes made to promote interoperability in the final Delegated Acts.

Materiality guidance: Further work needed on clarity, comparability and interoperability

We welcome the progress made to date on the materiality guidance, however, there are areas where further development is needed to enable companies to interpret and apply the standards consistently:

- *In relation to financial materiality*: There remain a few key areas (which we have highlighted in the detailed comments attached to this letter and/or shared in the survey) where interpretations of financial materiality could differ between ESRS and the ISSB Standards, threatening interoperability. To support the amendments that were made to the final Delegated Acts, we suggest that the areas of potential differences in interpretation are addressed in the implementation guidance in order to achieve CSRD's interoperability objectives.

- *In relation to impact materiality*: Further guidance is needed to address potential expectation gaps and differences of opinion over how impact materiality judgements should be made – e.g. should risks be identified on a gross basis. We have highlighted these areas in further detail in the appendix.

Addressing these concerns could help improve reporting consistency and support the delivery of high-quality assurance services.

Value Chain guidance: Further refinements are needed

The value chain guidance has been developed in a useful direction. However, there are areas where further refinement is needed. Based on the detailed comments we have identified, most attention is needed in the following areas:

- Operational control – e.g. some of the guidance appears to only relate to environmental matters;
- Treatment of joint ventures and associates; and
- The basis for assessing the 'reasonable effort threshold' and its link to the materiality guidance.

List of datapoints: Need to reflect the ESRS requirements more accurately

We appreciate the work done to provide a complete list of ESRS datapoints contained in the sector-agnostic standards. We have provided detailed comments in the appendix below where further clarification or enhancement is needed.

Our detailed comments on the draft guidance are attached to this letter and/or shared in the survey.

Please do not hesitate to contact Christian Zeitler (czeitler@kpmg.de) or Ramon Jubels (jubels.ramon@kpmg.nl) if you wish to discuss any of the issues raised in this letter.

Yours sincerely

Christian Zeitler

KPMG EMA DPP Limited

Appendix – Detailed comments on the Draft EFRAG ESRS Implementation Guidance

Draft EFRAG IG 1: Materiality assessment implementation guidance

Align the guidance on financial materiality with IFRS S1

Interoperability with IFRS Sustainability Disclosure Standards is critically important to both users and preparers. We are therefore pleased to see that EFRAG intends financial materiality under ESRS to be aligned with IFRS S1.

To reflect alignment between financial materiality requirements in the ESRS and ISSB Standards, we concur that EFRAG's Implementation Guidance should be aligned, to the greatest extent possible, with the IFRS S1 Application Guidance on materiality. Differences in application guidance between the two sets of standards can result in different interpretations which would undermine interoperability and comparability in practice.

We highlight four key aspects of financial materiality judgements where we think that enhancements to the Draft Implementation Guidance are critical to support consistent implementation of ESRS and enable full interoperability in practice. Without these enhancements, as illustrated below, it might be expected that a significantly greater volume of information would need to be reported as being 'financially material' under ESRS:

1. *How should financial materiality judgements take account of users' information needs*:

   To provide an objective basis for making materiality assessments, IFRS S1.B3-B17 explains the user decisions and assessments that material information should support under the ISSB Standards. Because investors may have diverse information needs, this guidance is helpful in establishing a core set of needs on which companies should focus their materiality judgements. We suggest EFRAG includes similar guidance as the question of how primary user needs should be considered is not elaborated in ESRS 1 or the Draft Implementation Guidance.

2. *Whether financial materiality judgements should meet primary users' common information needs or whether they should meet all primary users' information needs*:

   The volume of information needed to meet all primary users' information needs will generally be significantly greater than that required to address primary users' common information needs. IFRS S1.B18 explains that individual primary users' needs do not need to be met under the ISSB Standards. For example, this means that companies can focus materiality judgements on the needs of long term, value-based investors rather than providing a wider set of information to support specialist investor analysis. We suggest that EFRAG incorporates a similar explanation in its Implementation Guidance.

3. *Whether financial materiality judgements should take account of the timing of financial effects:*

   Under IFRS S1, financial materiality judgements take account of the effect of information on primary users' assessments of the amount, timing, and uncertainty of future net cash flows to the entity. The 'deep dive on financial materiality' in the Draft Implementation Guidance refers to the consideration of 'likelihood' and 'magnitude of financial effect' but does not explain whether the timing of the effect should be considered beyond explaining that all time horizons are to be considered. Without guidance on this, stakeholders might conceivably think companies are not permitted to take account of discounting when making financial materiality judgements, potentially significantly increasing the volume of information considered financially material under ESRS. We suggest that EFRAG clarifies this matter in its Implementation Guidance.

4. *Whether companies have discretion when setting criteria and thresholds for assessing financial materiality:*

   The 'deep dive on financial materiality' in the Draft Implementation Guidance discusses how companies might set criteria and thresholds for assessing financial materiality. In addition, ESRS 1.AR15 refers to 'likely to materialise' and the 'less likely than not' thresholds. There is a risk that the thresholds described in ESRS 1 might be interpreted to override the user-focused definition of financial materiality in the standard. We suggest clarification would be helpful over whether the criteria and thresholds set by a company are consistent with the ESRS definition, and hence also with the requirements in IFRS S1 which are also user focused.

Impact materiality guidance needs further work to support consistent application

We would expect impact materiality judgements to involve balancing the information needs of different stakeholders and groups of stakeholders. The ESRS 1 permission to use thresholds would seem to support this by allowing entities to use discretion when assessing impact materiality. On the other hand, because the standard does not explain how different stakeholder needs should be considered, some may expect that all stakeholders needs must be met. This expectation gap is not resolved by the 'Deep dive on impact materiality' in section 3.6 or the FAQ 16 on stakeholder prioritisation. We recommend that EFRAG provide clear guidance to address:

- the basis on which key stakeholders or groups of stakeholders should be identified; and
- how to resolve apparent differences or conflicts in stakeholders' views on what information should be considered.

Guidance on whether impacts should be considered on a gross basis needs to be clarified and extended to cover risks

We welcome the explanation that environmental impacts are assessed on a gross basis. It would also be helpful for guidance to explain whether risks and opportunities should be considered on a gross basis using the definition for financial materiality.

Further, it is unclear whether the use of the term 'general principle' in IG1.215, when discussing that environmental impacts are considered gross, is intended to imply that there are exceptions to the rule.

We appreciate EFRAG's intention to clarify whether the guidance is applicable to social matters. We recommend that future guidance is also expanded to include governance matters.

Draft EFRAG IG 2: Value chain implementation guidance

The proposed guidance on value chain is helpful in highlighting some important features of ESRS, notably:

- The alignment of the value chain definition with the ISSB and GRI Standards (IG2.21, panel).
- That ESRS do not require information on each and every actor in the value chain (IG2.28), and that relevant impacts in the value chain are those that are connected with the undertaking, which includes when they are either caused by or contributed to, or that are directly linked to the undertaking's operations, products or services through a business relationship (IG2.71).
- That the 'LSME Cap' in Article 29(b)4 of the CSRD is applicable to any disclosure that will require the reporting entity to request information from the SMEs in their value chain if such information goes beyond the disclosures required in the Listed SME Standard (LSME) (IG2.67).

- That determination of the 'reasonable effort threshold' for obtaining information involves balancing the reporting burden of obtaining direct data and the potential lower quality of the information resulting from not undertaking that action (IG2.136).

We also welcome EFRAG's recognition that actors in the value chain may not yet be able to quantify their impacts (IG2.129).

We have identified several areas where clarification or further guidance would be helpful.

Further clarification and guidance is needed for operational control

The guidance seems to expand the concept of operational control beyond the specific uses in some of the environmental standards. For example, only ESRS E1, E2 and E4 mention operational control, but the guidance appears to relate it to all environmental matters and even some social matters. Clarification is needed on the basis for extending operational control to other environmental and social standards as well (see IG2.45 and IG2.47).

It is unclear how the concept of operational control relates to the definition of 'employees' in the glossary. We suggest the guidance explicitly states where in the standards the concept of operational control should be applied and how.

Meaning of 'reasonable effort' needs further explanation

It would be helpful for the basis for judging the 'reasonable effort threshold' to be linked more clearly to the materiality guidance to avoid different interpretations of how 'reasonable effort' and the benefit of the information to stakeholders should be balanced.

The intent of the guidance for joint ventures and associates needs clarification

It is unclear how to report information relating to a joint venture or associate. This is because joint ventures and associates may be both investments, and suppliers or customers. This is conflicting with the guidance that indicates companies should treat them either as one or the other. Clarifying this is particularly important for companies in the financial sector.

Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance

List of datapoints needs to reflect the ESRS requirements more accurately

We appreciate the work done to provide a complete list of ESRS datapoints contained in the sector-agnostic standards. We note that further clarification and mapping is needed to ensure consistency with the precise requirements of the standards.

- We have identified instances where the description of the datapoints in the list may not be fully aligned with the ESRS requirements; for example, the description of the datapoint in row E32 of ESRS 2 MDR sheet in the ESRS 2 MDR sheet 'Disclosure of how stakeholders have been involved in target setting' should be aligned with ESRS 2 paragraph 79(e) 'whether and how stakeholders have been involved in target setting for each material sustainability matter'.
- Certain datapoints including voluntary disclosures are missing from the list of ESRS datapoints; for example, six voluntary datapoints are missing (three datapoints for CapEx and three for OpEx) from ESRS E4.AR18.
- Certain voluntary disclosures are not marked as voluntary; for example, the datapoint included in row E42 of ESRS 2 MDR sheet arising from the disclosure requirement of ESRS 2.81(a).

Further detailed comments are shared in the survey.

Paragraph-specific comments submitted via EFRAG survey

Reference	Comment
Draft EFRAG IG 1: Materiality assessment implementation guidance	
IG1.5	How does the explanation in IG1.5 that '*ESRS do not mandate a specific process or sequence of steps to follow when performing the materiality assessment*' relate to the three steps required to be considered for assessing impact materiality under ESRS 1.AR9 and for assessing financial materiality under ESRS 1.AR14-15? We suggest that the implementation guidance references the relevant AR guidance and acknowledges that judgement is required in performing the materiality assessment. It would be useful to clarify, for example, that a company is not required to identify matters before it identifies impacts, risks or opportunities.
IG1.11	**GRI Interoperability** IG1.11 statement that '*the GRI assessment constitutes a good basis for the assessment of impacts under ESRS*' may imply to the market that the ESRS are holistically sufficient to meet the requirements of the GRI. We encourage EFRAG to remove this paragraph until further interoperability work is completed.
IG1.12	We support the interoperability ambition described in IG1.12 for financial materiality: '*An undertaking that applies the ESRS is expected to be able to comply with the identification of the sustainability related information on risks and opportunities under IFRS Sustainability Disclosure Standards*'. To support this claim, it is essential that the implementation guidance on materiality is wholly consistent with that contained in IFRS S1. For example, how do the additional considerations to be applied under ESRS 1 in determining whether a matter should be reported on align with the requirements in the ISSB Standards? Specifically, ESRS 1 requires consideration of (i) scenarios and forecasts that are deemed likely to materialise; and (ii) potential financial effects that are less likely than not and assets and liabilities that are not reflected in the financial statements. We would welcome the opportunity to work with EFRAG and discuss some of the key differences that result in practical complexities for preparers.

Reference	Comment
IG1.25	**Reporting on immaterial matters** It is not clear whether the standards allow for the reporting of information about immaterial matters. ESRS do not contain a clear prohibition to voluntarily disclose information concerning immaterial matters. This appears to conflict with IG1.25 which states '*…the reporting <u>excludes</u> matters that are not material*.' We encourage EFRAG to provide clarification.
IG1.27	IG1.27 explains that the entity will need to 'set thresholds based on the ESRS 1 criteria, as well as its own specific facts and circumstances' to make materiality judgements. However, which threshold the standard and guidance is referring to is not clear in the guidance – i.e. is it referring to those thresholds which are applied to categorise the scale, scope, irremediability, and likelihood of an impact or is this referring to the line to be drawn between material and immaterial IROs. Also, neither ESRS 1 nor the Implementation Guidance explains how the entity should apply these criteria when making impact materiality judgements. Resolving this is critical to the consistent application of ESRS. As we explained in our letter to the Commission of 7 July 2023, '*In absence of clear norms of when an impact on people or planet is to be considered material, the outcome of a company's assessment might differ significantly from expectations of stakeholders. Preparers and assurance providers face an open-ended expectation gap due to the diversity in size and type of stakeholder groups that might be relevant for the impact assessment.'* Providing guidance will help in the assurance of the impact materiality assessment process and conclusions.
IG1.Figure 1c	**Two approaches to the materiality assessment** IG1.Figure 1c appears to imply that the materiality assessments starts with the identification of sustainability matters and is followed by the determination of IROs. This appears to conflict with IG1.75 and IG1.76 which indicate an undertaking may either start with sustainability matters and map them to IROs, or start with IROs and map them to sustainability matters. We encourage EFRAG to update IG1.Figure 1c to reflect the more than one acceptable approach.

Reference	Comment
IG1.36 IG1.63-64	IG1.36 describes processes for considering impact and financial materiality under ESRS in a way where these are considered in combination. In order to support interoperability, the financial materiality process would need to further incorporate consideration of the investor assessments and decisions on which the IFRS S1 definition of materiality is based. Specifically, we would expect an assessment of financial materiality to require consideration of the matters that are reasonably expected to affect the entity's prospects. Figure 3 to IG1.64 similarly describes a materiality assessment process that does not incorporate these considerations. Further, IG1.63 asserts that '*that material impacts trigger in most cases material risks and opportunities*'. We are concerned that this description could be read in a way that an entity should assume that an impact that is material for one group of stakeholders will always have a sufficient effect on an entity's prospects to influence investors decisions (and hence be considered financially material). We suggest that IG163 is amended to state 'that material impacts can trigger material risks and opportunities'
IG1.50	IG1.50 states that '*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*.' We do not think this assertion is helpful as the information needed to assess the effect of a matter on the entity's prospects is likely to be quite different to the information that other users need to support their decisions.
IG1.62	**Consideration of ESRS 1 AR 16** ESRS 1 AR 16 states that '*when performing its materiality assessment, the undertaking <u>shall</u> consider the following list of sustainability matters covered in the topical ESRS*.' However, ESRS 1 AR 16 could appear to be inconsistent with IG1.72, which states that, when identifying actual and potential IROs related to a sustainability matter, '*the undertaking <u>should</u> use the list of sustainability matters in ESRS 1 paragraph AR16 to support this process and to ensure completeness*.' We encourage EFRAG to review the guidance for consistency with ESRS 1.

Reference	Comment
IG1.64, IG1.97	**Materiality of information – illustrative materiality assessment process** The steps in IG1.64 contain some differences and inconsistencies with the steps specified in ESRS1.AR9 which the entity is required to consider. The implementation guidance should be wholly aligned to ESRS 1 with additional explanations where necessary. For example, how should the entity apply the outcome of this process to the identification of material information to be reported. **Materiality of information – Step D: Reporting** When discussing Step D, IG1.97 states that '*the undertaking shall also disclose how it has determined the material information to be disclosed, including the thresholds and criteria used to assess such information…*' As explained above, we believe the determination of material information should be a step that is separate from reporting.
IG1.71	IG1.71 states: 'In this step, the undertaking identifies the material IROs relating to environmental, social and governance matters…'. However, Step B focuses on the identification of *potentially material* IROs as the determination of whether the IROs are material will take place in Step C. Accordingly, we recommend adding the word 'potentially' to IG1.71 and reflect that the outcome is not a list of material matters.
IG1.72	We recommend removing the reference 'to ensure completeness' as the use of the list contained in AR16 of ESRS 1 is a starting point.
IG1.82	It might be helpful to explain whether impacts should be assessed in absolute or relative terms, for example, in comparison to impacts of other undertakings in the same or different sectors.
IG1.109	IG1.109 describes that an entity should consider dialogue with stakeholders other than investors who may be interested in general purpose sustainability-related financial information, but it is not clear what the link is to assess how the entity manages its material impacts. We recommend that this paragraph is clarified.

Reference	Comment
IG1.113	IG1.113 explains that ‘*impact materiality is assessed from the perspective of the affected people or the environment*’. Without further clarification about how to set thresholds based on scale and scope, this guidance may create an expectation that preparers would provide information about any matter that an individual might consider important from their perspective. For example, should an impact on one individual be considered material and how would this differ across different impacts?
IG1.118 Box	The example provided alongside IG1.118 might be taken to suggest that the size of the entity should not be a consideration in assessing impact materiality – ‘*The scale of the pollution of the river impact of A is not affected by the fact that group B [the reporting entity and owner of A] has several subsidiaries*’. This example should be clarified to explain that the materiality assessment should always be conducted at the group-level rather than at the level of each standalone entity within the group. It should also be clarified to explain that while scope has changed with the acquisition, scale and irremediability have not. In the absence of such clarification, the example may create expectations that preparers would provide information about any impact that was identified and considered at the standalone entity level irrespective of scale relative to the group entity’s activities. It would also be helpful to explain whether this example is seemingly contradictory to the paragraph 181 which could be interpreted that the impacts from subsidiaries should be aggregated and weighted against revenues.
IG1.122	The concept of timing is a key component of financial materiality considerations, for example, under IFRS accounting and sustainability standards (as IFRS S1.B24 shows) because it enables the discounting of effects on the entity’s prospects. Please clarify whether discounting is a factor to be considered in determining financial materiality under ESRS too because it is not referred to in the guidance but is implied in the assertion that financial materiality is aligned between the ISSB Standards and ESRS.

Reference	Comment
IG1.123	IG1.123 explains that '*The undertaking may refer to absolute monetary thresholds or to relative monetary thresholds, such as a percentage of the amount corresponding to a line item of its primary financial statements, its revenues, costs, total assets, net equity.*'. There appears to be a mismatch between the requirements in ESRS 1 and the guidance. We suggest that IG1.123 explains that the thresholds referred to are derived based on user's decision making needs and references the ESRS requirement in ESRS 1.31(b) and ESRS 1.48 that one of the criteria to determine the materiality of information is based on decision usefulness. IG1.123 also explains that '*the time horizon for financial materiality assessment in sustainability reporting is longer than the typical time horizon factored in financial statements and management commentary.*' We suggest that paragraph 123 is more clearly articulated. We believe that this description is not consistent with the requirements of IFRS Accounting Standards which do not constrain the assessment of materiality to a particular time horizon. For example, Example C of IFRS Practice Statement 2 *Making Materiality Judgements*, non-authoritative guidance issued by the IASB, provides guidance on how materiality is considered in the impairment analysis under IAS 36. This example indicates that the materiality assessment in preparing financial statements considers a time horizon unconstrained by the reporting period for the financial statements.
IG1.146	The example in IG1.146 needs clarifying as it could be understood to suggest that an undertaking must always take into account the impacts caused by other unrelated undertakings when assessing impacts regardless of the company's own impacts.
IG1.147	Clarify whether the explanation of the meaning of 'contribute to an impact' in IG1.147 is intended to override the explanation in OECD Due Diligence Guidance for Responsible Business Conduct which includes a materiality threshold concerning undertakings contributing to an impact in page 70, Q29
IG1.153	Paragraph 153 seems to suggest that measures to compensate negative impacts (like carbon credits) might be netted against negative impacts in the materiality assessment. However, this would contradict to FAQ 23 which states as a general principle that impacts should be assessed on a gross basis. It would be helpful if the guidance could elaborate further on the specific requirements in ESRS E1 and ESRS 4 that are different to the general principle of impacts being assessed on a gross basis.

Reference	Comment
IG1.158	It would be useful if the guidance provides further examples of information (beyond internally generated intangibles) that may have financial effects and be reported in the sustainability statement but does not meet criteria for recognition in the financial statements.
IG1.181	It would be helpful to clarify the meaning of the thresholds (i.e. whether they relate to the categorisation of scale, scope, irremediability and likelihood or to determination of material IROs).
IG1.FAQ19 IG1.200 IG1.201 IG1.202 IG1.203	**Disaggregation for the materiality assessment** IG1.FAQ 19 indicates that an IFRS or local GAAP segment is generally not an appropriate level of disaggregation for the materiality assessment. Although the FAQ does not appear to explicitly preclude an undertaking from leveraging the financial reporting segments, we believe there is too strong a discouragement against doing so – as financial reporting segments tend to align with sector considerations and highlight geographical considerations. Further, we believe IG1.FAQ 19 does not sufficiently address the relationship between the level of disaggregation for the materiality assessment and the level of disaggregation for reporting (ESRS 1, para 54-57). The interaction of IG1.FAQ19, as written, and ESRS 1 could result in the need to disaggregate information for the materiality assessment at a different level than that which is required to be reported at. While we do anticipate that this is a potential outcome, we don't believe it should be the common outcome. We encourage EFRAG to consider updates to IG1.FAQ19 to support clarification on these matters.

Reference	Comment
IG1.210	We recommend that the guidance in IG1.210 is redrafted to avoid the impression that immaterial information about an activity in one part of the group might be required because information about a similar activity in another part of the group is material. We further suggest that: • FAQ 13 (‘*Doing the materiality assessment when the undertaking operates in different sectors*’) is clarified by adding an acknowledgement that in some situations information about an impact that is material for one sector may not necessarily be material for other sectors or the group as a whole. A similar acknowledgement could also be included in FAQ 22. • FAQ 18 (‘*Does the undertaking use the same criteria when defining the level of disaggregation across all IROs?*’) and FAQ 19 (‘*Is an IFRS or local GAAP segment an appropriate level of disaggregation for the materiality assessment?*‘) are clarified to acknowledge that sometimes information about an activity in one location may be material, but information about the same activity in other locations, or for the entity as a whole may not be.
IG1.215	IG1.215 discusses gross and net impacts. It would be helpful to clarify whether this guidance is applicable to impact materiality judgements (as we would expect) or if it is also intended to apply for financial materiality judgements (which might create interoperability issues). We believe similar considerations should be given for financial materiality judgements. It would be helpful to explain precisely what is intended by a ‘gross impact’ and a ‘net impact’ as sometimes the terms are used when considering the likelihood of an impact arising (i.e. before or after risk mitigations), and sometimes they are used to refer to the effect of an impact were it to arise (i.e. before or after actions taken to reduce the effect of the impact). Our understanding of IG1.215 is that it relates to actions taken to reduce the effect of the impact. It will also be useful to highlight the connection between FAQ 13 and FAQ 2 (Can positive impacts be netted against negative impacts?) as the latter touches on the difference between netting and compensation/offsetting without clarifying it.

Reference	Comment
IG1.215 and IG1.218	Paragraph 215 of the guidance refers to a ‘general principle’ to consider gross impacts before any mitigating actions whereas paragraph 218 seems to suggest that the effect of actions or ‘measures’ can be taken into account. This mismatch in the guidance should be clarified.
IG1.167	The description of Example 2 to IG1.167 may give readers the impression that impairment judgements would not take account of management’s expectations of future developments. Additionally, we note that the information described may be material in some circumstances under IFRS Accounting Standards. We suggest amending or deleting the example.
Draft EFRAG IG 2: Value chain implementation guidance	
IG2.23, IG2.25, IG2.26 IG2.30	It would be helpful to clarify whether unexpected or unintentional impacts arising in the downstream value chain are required to be considered in the materiality assessment. Examples of unexpected or unintentional impacts are if undertaking A rents a property from undertaking B, and A uses child labour in this rented property causing severe impact; or if an undertaking A grants a loan to undertaking B, and the loan is granted for a specific purpose leading to no impacts, but instead B uses the loan for activities leading to impacts, or the loan is granted for general purpose, and B uses it for activities leading to impacts.
IG 2 Chapter 2.3	We suggest enhancing the guidance on operational control with further explanation and examples to facilitate implementation of this concept, covering in particular: i. level at which operational control should be assessed (e.g. entity, site, facility) and whether it is possible that the unit of account might be different for ESRS E1, E2 and E4; ii. definition of operational activities and whether it is possible that an asset might be under operational control for ESRS E2 purposes but not for ESRS E4, for example, because the reporting entity has only the ability to direct the operational activities that significantly affect the pollution-related impacts; iii. Whether “ability to direct” is only based on legal or contractual rights or might also include de-facto ability.

Reference	Comment
IG 2 Chapter 2.3	Paragraph 45 implies that the concept of operational control should be applied in certain circumstances beyond ESRS E1, E2 and E4, whereby an example is given of bodies of water impacted due to pollution by assets, sites or entities under operational control. It is not fully clear why bodies of water are mentioned here as an example, as this seems to be covered by ESRS 2-4 Pollution of air, water and soil (so not beyond ESRS E1, E2 and E4).
Chapter 2.3 Operational control – S standards IG2.47	*Own workforce* It would be helpful to provide further clarification and/or examples of when a worker related to assets, sites or operations under operational control would meet the definition of own workforce. In most cases, such workers are not: • in the employment relationship with the operationally controlling entity, and • self-employed from the view of the operationally controlling entity, and • workers provided by undertakings primarily engaged in employment activities, and therefore, such workers would not meet the definition of own workforce. *Workers in the value chain* The meaning of the paragraph 47 in relation to the workers in the value chain needs further clarification due to the following: • The undertaking operationally controlling the asset/site/operation is expected to have a business relationship with this asset/site/operation, and therefore any workers of this asset/site/operation would meet the definition of a worker in the value chain by default. • The concept of operational control implies that an asset/site/operation controlled by an undertaking should be reported as its own asset/site/operation while a worker in the value chain is not included in the own operation by definition.

Reference	Comment
IG2.38, IG2.49	The IG2.38 and IG2.49 explanations of the treatment of associates and joint ventures in the value chain appears to suggest that they are *either* treated as part of own operations, part of the value chain (i.e. based on the activity in the value chain), *or* – if they do not form part of the value chain – as investments (i.e. based on the impact attributable to the investment). Some may interpret this to mean that impacts, risks, and opportunities arising from the investment relationship with an associate or joint venture would only be considered if it has no involvement whatsoever in the reporting entity's value chain. We suggest clarifying what is meant by the explanations in IG2.38 and IG2.49 and when an associate or joint venture can be considered in own operations, part of the value chain, or simply a financial investment. *Jointly held assets of joint operations* Further clarification is required in relation to the treatment of the jointly held assets of joint operations particularly for the undertakings applying local GAAP under which joint ventures might be proportionately consolidated. *Partnerships without legal form* Additional guidance is required on partnerships between non-related companies/partners, whereby these partnerships are no separate legal entities (no legal form) and none of the partners have financial or operational control. These partnerships are proportionately consolidated for financial reporting purposes. These vehicles are commonly used in the real estate sector in some jurisdictions to partner up for specific construction projects. Guidance is needed if these partnerships are part of the own operations or the value chain (based on the lack of financial and operational control).
IG2.155	**Value chain coverage map** IG3.155 states that the value chain is to be covered in SFDR indicators listed in ESRS 2 Appendix B '*to the extent that foreseen in the relevant technical standards.'* This guidance is vague and could benefit from further clarification. In addition, it would be helpful to clarify whether "shall reflect" in the fourth row of the value chain coverage map of Set 1 ESRS means "shall disclose" or "shall consider disclosing".
Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance	

Reference	Comment
IG3	**Mapping to MDRs** Disclosure requirements on the topical tabs have been mapped to respective MDR-P, MDR-A, and MDR-T but not to MDR-M which appears incomplete. We recommend either completing the mapping or providing an explanation as to why it is not appropriate.

Reference	Comment
IG3	There are datapoints included in the list which are not aligned to the standards – for example: • ESRS S1 sheet: The description of the datapoints in rows E116 and E117 include the disclosure of the number of non-employees by categories 'self-employed people' and 'people provided by undertakings primarily engaged in employment activities' is not aligned with ESRS S1.55(a), that uses those categories as examples of non-employees and not as disclosure requirements. • ESRS S1 sheet: The description of datapoints in rows E132 and E133 is not aligned with the underlying requirements in ESRS S1.66(a). • ESRS S2 sheet: The datapoints list includes a datapoint based on ESRS 2.40. From our understanding the datapoints to be disclosed are included in ESRS 2.40 a-g, but not in ESRS 2.40 itself. The row 75 should therefore be deleted in the datapoint list. • ESRS 2 MDR sheet: According to the datapoint list, ESRS G1-4 is related to MDR-A, Actions. From our understanding, the content of this Disclosure Requirement is not related to any actions but includes metrics to be reported. We assume that ESRS G1-3 is related to actions and G1-4 to related to metrics, this should be corrected in the datapoint list. • ESRS 2 MDR sheet: cells E15 and E16 covering ESRS 2.69(b) should be aligned with the disclosures in ESRS. The same question arises with ESRS 2.69(c), which is included in the cells E17 and E18 in the datapoint list. • ESRS 2 MDR sheet: in cells E23 and E24 the descriptions in the list ("Measurable target" and "nature of the target") do not align directly with the standard. • ESRS 2 MDR sheet: in cell E45, the datapoint in the list seems to address two different disclosures: 'Description of defined level of ambition to be achieved and of any qualitative or quantitative indicators used to evaluate progress'. • ESRS S2 sheet: In cell E7, the disclosure as specified in the datapoint list is shortened to the extent that it no longer represents the detailed disclosure in ESRS S2.11(c). • ESRS S2 sheet: In cell E25, the datapoint list only includes: 'Disclosure of how perspectives'. The aspect 'whether' should be added to the datapoint list to align with the standard. • ESRS S2 sheet: the disclosure in ESRS S2.28 states: 'The undertaking shall disclose whether and how it assesses […]'. The datapoint list only includes 'Disclosure of how it is assessed […]'. The disclosure of 'whether' should be added to the datapoint list in cell E38. • ESRS S2 sheet: Cell E42, the datapoint list only states: 'Disclosure of how value chain workers are able to access channels at level of undertaking they are employed by or contracted to work for'. The statement of "whether" should be added.

Reference	Comment
IG3	Certain datapoints including voluntary disclosures are missing from the list of ESRS datapoints – for example: • ESRS E2 sheet: 'split into main hazard classes of substances of concern' required by ESRS E2.34 • ESRS E3 sheet: Additional datapoints from ESRS E3.AR29 • ESRS S1 sheet: Voluntary disclosures resulting from ESRS S1.76 • ESRS 2 sheet: Voluntary breakdown of the current and future financial resources based on ESRS 2.AR23 • ESRS S2 sheet: From our understanding ESRS S2.AR14 is a voluntary disclosure, but it is not included in the datapoint list: "the undertaking may disclose its alignment with these instruments". This datapoint might already be included in the disclosure under ESRS S2.19, but if AR14 is a voluntary disclosure and S2.19 is not, it should be included separately in the datapoint list. • ESRS S2 sheet: Voluntary disclosures from ESRS S2.AR 16 are not included in the list. • ESRS S2 sheet: ESRS S2.AR22 is not included in the datapoint list as a voluntary disclosure • ESRS S2 sheet: ESRS S2.AR26 is not included in the datapoint list as a voluntary disclosure • ESRS S2 sheet: Align the datapoints in the list for ESRS S2.29 to the requirements in the standard.
IG3	Certain voluntary disclosures are not marked as voluntary – for example: • ESRS E1 Sheet: Datapoint included in row C112 arising from the disclosure requirement of ESRS E1.AR50. • ESRS E1 Sheet: Datapoint included in row C113 arising from the disclosure requirement of ESRS E1.AR52. • ESRS S2 Sheet: Cell E8, the disclosure includes a voluntary disclosure that should be listed separately – i.e. 'the undertaking may also disclose whether the positive impacts occur in specific countries or regions'. • ESRS S3 sheet: Datapoint relating to ESRS S3.AR22 and AR23.
IG3	Certain datapoints are missing from the list – for example: • ESRS 2 MDR sheet: The disclosure based on ESRS 2.69(b) states: 'explain how they relate to the most relevant amounts presented in the financial statements'.