



ESRS implementation – Proposed guidance

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ESRS resource centre | Ready for ESG reporting?



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EFRAG proposed guidance on materiality, value chain and datapoints

EFRAG¹ invited comments on its **proposed implementation guidance** for the European Sustainability Reporting Standards (ESRSs)².

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 the ESRSs deliver the interoperability and cost-benefit balance expected from the CSRD³.

The non-authoritative guidance aims to support companies applying the ESRSs.

- **Materiality guidance:** aims to provide tools and mechanisms for companies to apply the materiality assessment requirements and disclosures set out in ESRS 1 *General requirements* and ESRS 2 *General disclosures*.
- **Value chain guidance:** aims to provide practical guidance to companies on implementing the value chain requirements in the ESRSs.
- **Datapoints guidance:** is intended to contain a complete list of all disclosure requirements and related application requirements in the sector-agnostic standards. It covers all the standards, except ESRS 1 which does not contain specific disclosures.

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.

- **Interoperability and financial materiality:** There remain a few key areas where interpretations of financial materiality could differ between the ESRSs and the ISSB™ Standards, threatening interoperability. We suggest that the areas of potential differences in interpretation are addressed in the implementation guidance to achieve the CSRD's interoperability objectives.

“Further clarity is needed to enable interoperability and cost-effectiveness.”

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1. The European Financial Reporting Advisory Group.
2. European Sustainability Reporting Standards.
3. Corporate Sustainability Reporting Directive.

To reflect alignment between financial materiality requirements in the ESRSs and ISSB Standards, we agree that EFRAG's implementation guidance should be aligned, to the greatest extent possible, with the IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* application guidance on materiality. Differences in application guidance between the two frameworks may result in different interpretations, which would undermine interoperability and comparability in practice. Without such alignment, a significantly greater volume of information would need to be reported as being 'financially material' under the ESRSs.

- **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 and how should different stakeholder needs be considered?

Other areas: Further refinements are needed

The proposed value chain guidance is helpful in highlighting some important features of ESRSs – i.e. that the value chain definitions of the ISSB and GRI⁴ Standards align and that ESRSs do not require information on each and every actor in the value chain.

However, there are areas where further refinement is needed:

- the application of the operational control concept – e.g. some of the guidance appears to only relate to environmental matters;
- how to report information relating to a joint venture or associate; and
- the basis for assessing the 'reasonable effort threshold' and its link to the materiality guidance.

We appreciate the work done to provide a complete list of ESRS datapoints but some revisions are needed to reflect the ESRS requirements more accurately.

Find out more

Read our [full response](#).

4. Global Reporting Initiative.

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