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Diese Unterlage wurde von einem Mitarbeiter des DRSC für die FA-Sitzung erstellt.

Gemeinsamer FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	28. Gem. FA / 22.06.2022 / 14:15 – 15:45 Uhr
TOP:	02 – ESRS Implementation of CSRD Principles (Survey 1B)
Thema:	Survey 1B: Ausgewählte Themen
Unterlage:	28_02a_GFA_ED ESRS 1_Präsi

Survey 1B: Ausgewählte Themen



Agenda

- 1. Merkmale von Informationsqualität**
- 2. Wesentlichkeit, doppelte Wesentlichkeit**
- 3. Berichtsprinzip 1-3: Maßnahmen, Maßnahmenpläne und Ressourcen in Bezug zu Konzepten und Zielgrößen**

1. Merkmale von Informationsqualität

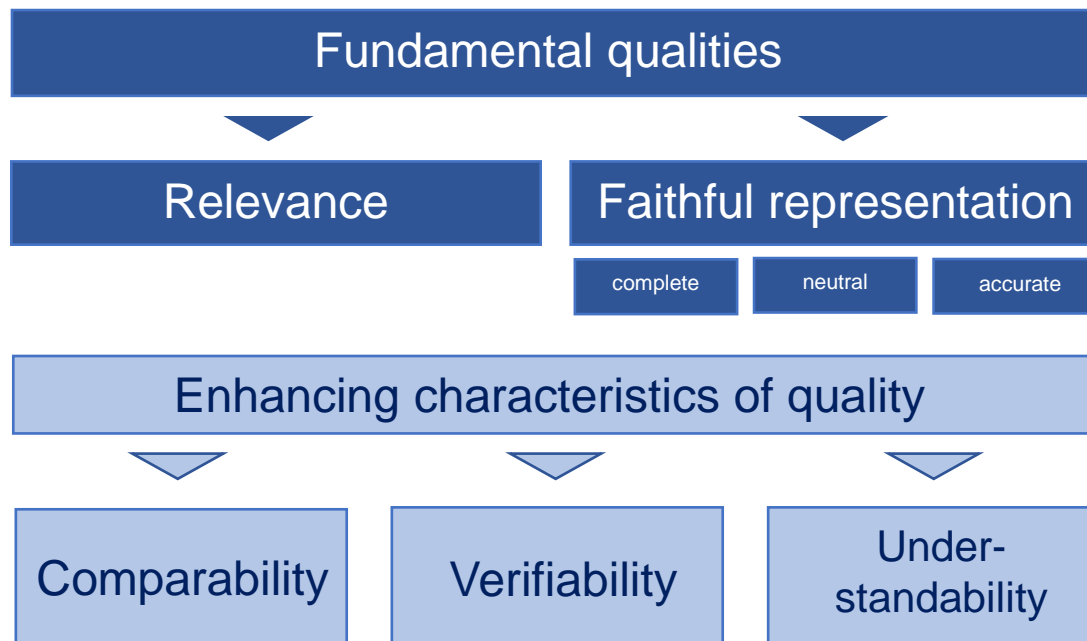


Questions 13-17: Characteristics of information quality

- Q 13** To what extent do you think that the **principle of relevance** of sustainability information is adequately defined and prescribed?
- Q 14** To what extent do you think that the **principle of faithful representation** of sustainability information is adequately defined and prescribed?
- Q 15** To what extent do you think that the **principle of comparability** of sustainability information is adequately defined and prescribed?
- Q 16** To what extent do you think that the **principle of verifiability** of sustainability information is adequately defined and prescribed?
- Q 17** To what extent do you think that the **principle of understandability** of sustainability information is adequately defined and prescribed?

1. Merkmale von Informationsqualität

ESRS 1, Ch. 2.1 (Tz. 25-41) Merkmale von Informationsqualität

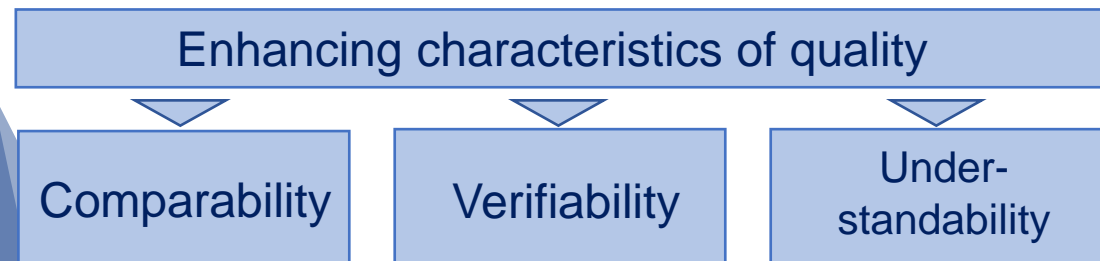
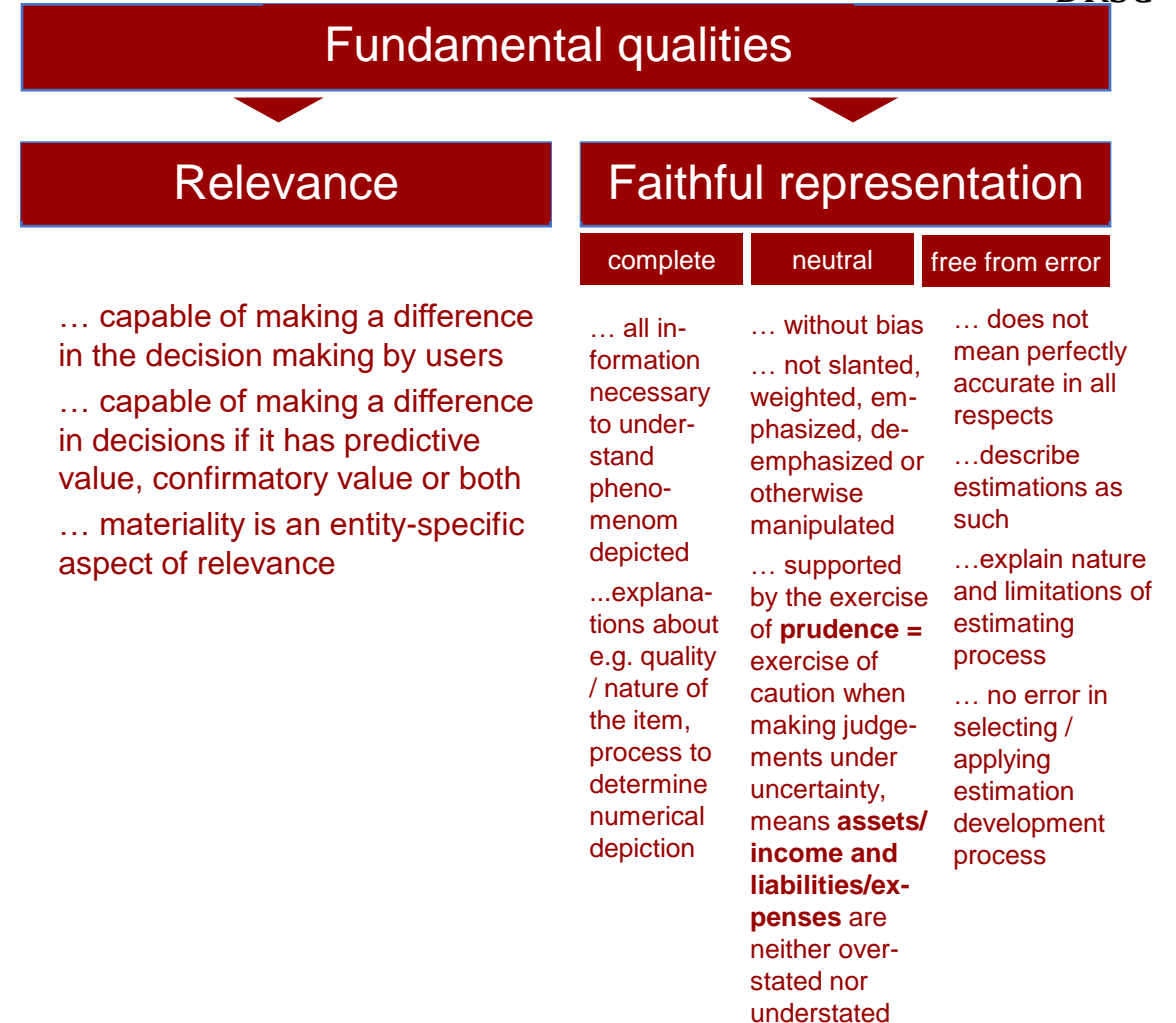
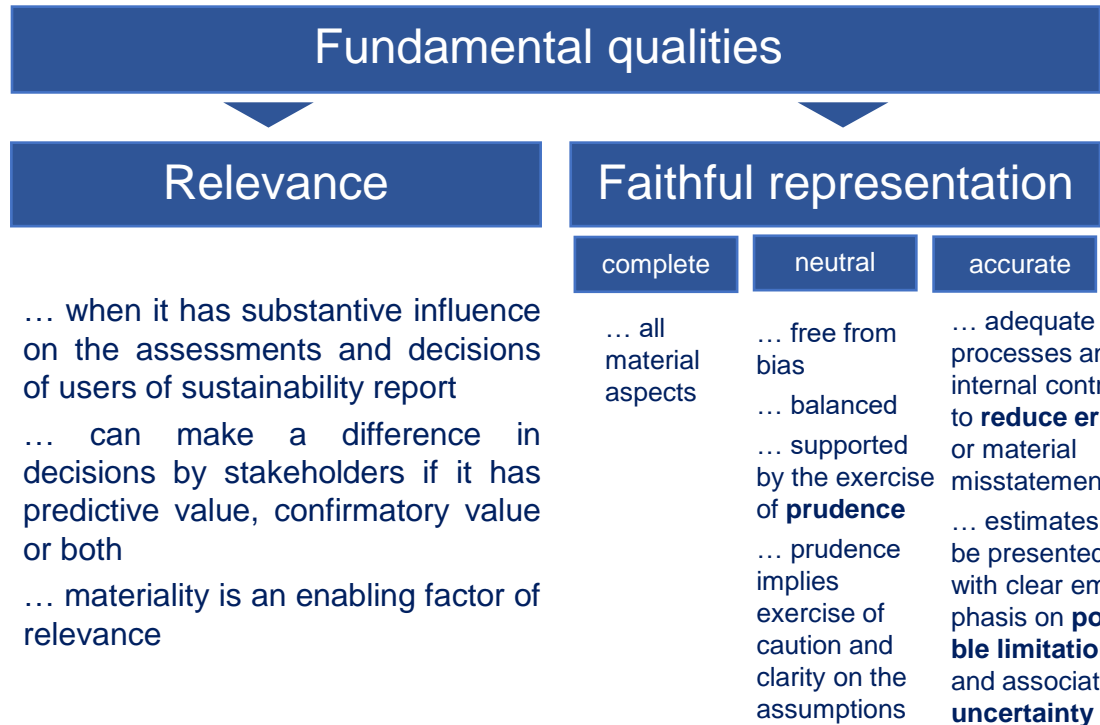


Fundamental qualitative characteristics	
Relevance <ul style="list-style-type: none"> information is relevant if it is capable of making a difference to the decisions made by users financial information is capable of making a difference in decisions if it has predictive value or confirmatory value 	Faithful representation <ul style="list-style-type: none"> information must faithfully represent the substance of what it purports to represent a faithful representation is, to the maximum extent possible, complete, neutral and free from error a faithful representation is affected by level of measurement uncertainty
Enhancing qualitative characteristics	
Comparability <ul style="list-style-type: none"> these four qualitative characteristics enhance the usefulness of information but they cannot make non-useful information useful 	Verifiability
Timeliness	Understandability
Cost constraint	
<ul style="list-style-type: none"> the benefit of providing the information needs to justify the cost of providing and using the information 	

Source: IFRS Conceptual Framework Project Summary, March 2018, p. 6

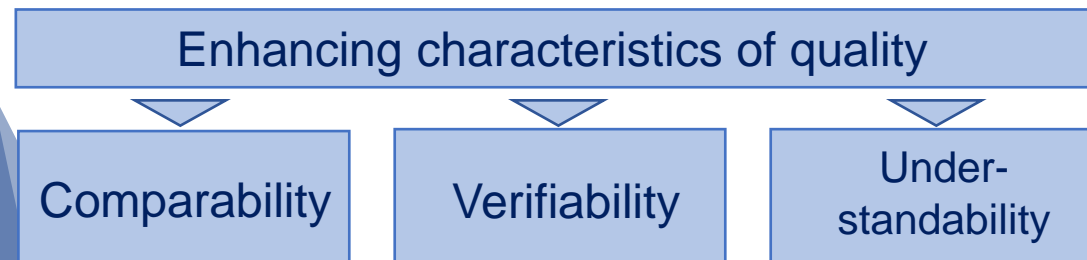
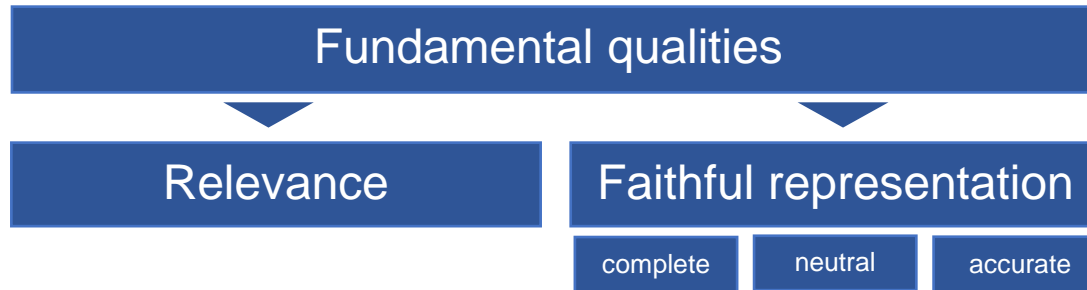
1. Merkmale von Informationsqualität

ESRS 1.26-32 – Fundamental qualities



1. Merkmale von Informationsqualität

ESRS 1.26-32 – Fundamental qualities



... information must **both** be **relevant** and provide a **faithful representation**

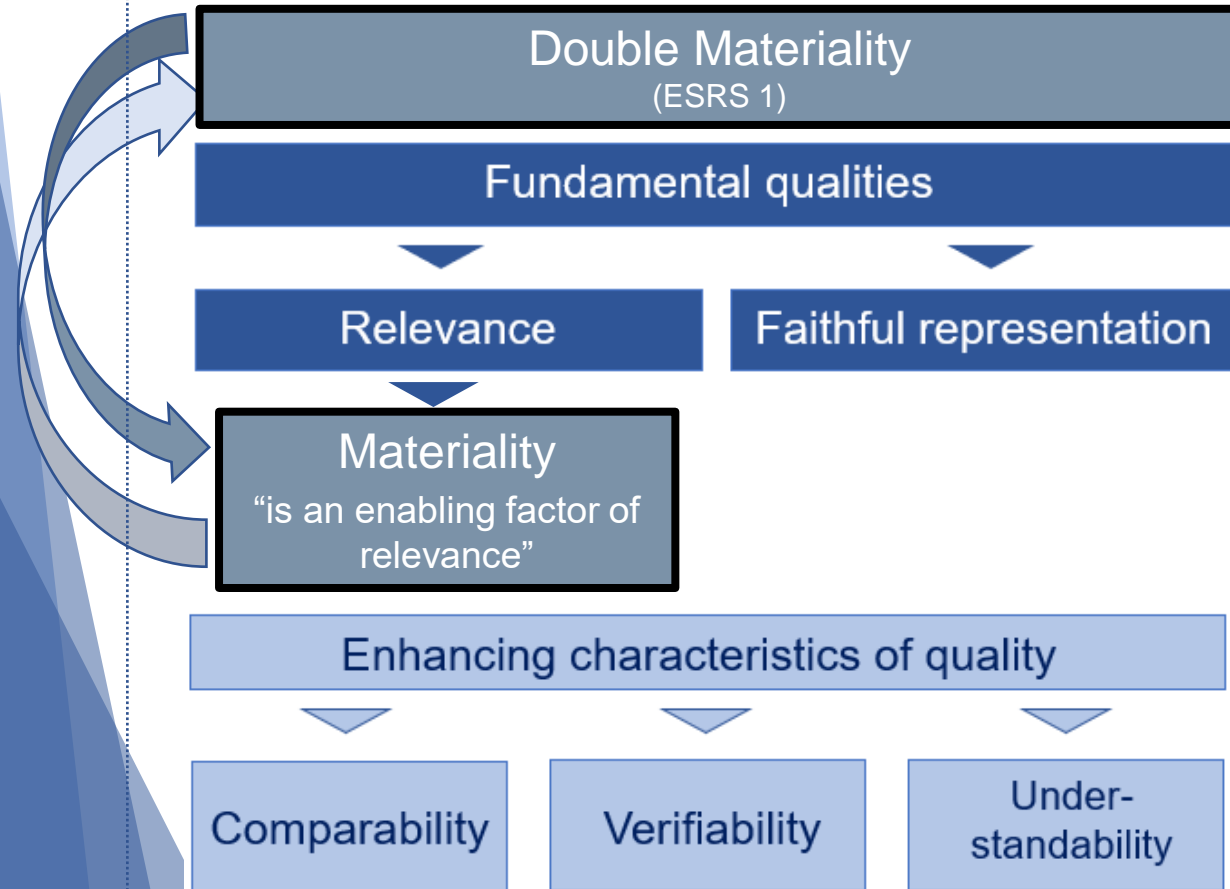
... in some cases, **a trade-off** between the two may need to be made in order to provide useful information about economic phenomena

... for example: most relevant information may be a highly uncertain estimate / sometimes needs to be accompanied by description and explanation and other times not sufficiently faithful representation (then choose other estimate, slightly less relevant but lower measurement uncertainty)

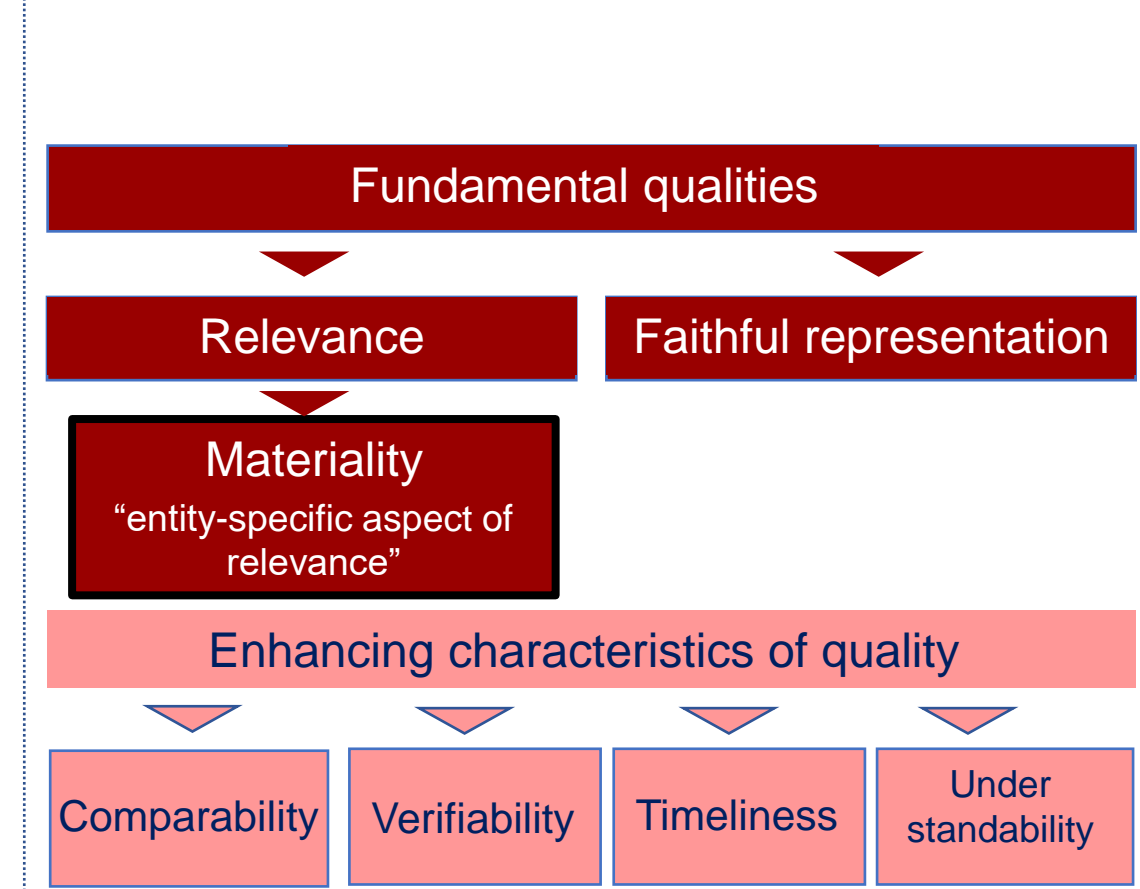
1. Merkmale von Informationsqualität

ESRS 1.26-28 – Relevance as a fundamental quality

Characteristics ESRS 1

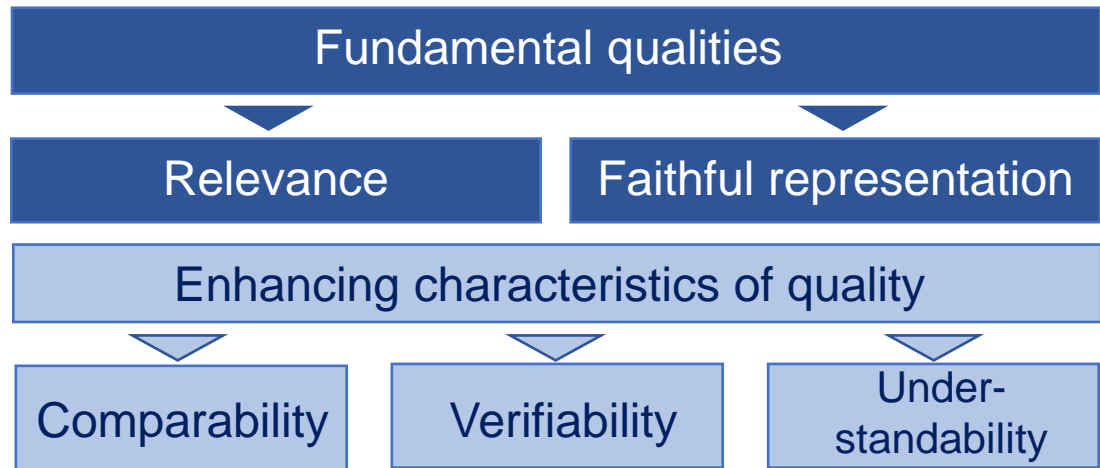


Characteristics, IFRS Framework, 2.5 ff.



1. Merkmale von Informationsqualität

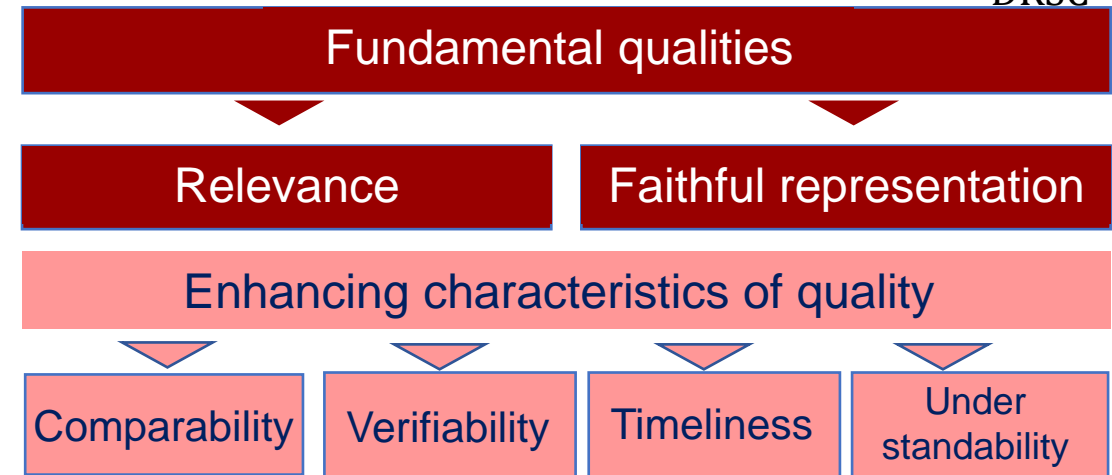
ESRS 1, Ch. 2.1 Merkmale von Informationsqualität



... consistent over time and, to the greatest extent possible, presented in a way that enables comparison between undertakings
 ... point of reference can be a target, a baseline, an industry benchmark, comparable information from either other entities or international organisations
 ... consistent when use of same approaches and methods for the same sustainability matter

... possible to corroborate information itself or inputs used
 ... ensuring reliability of information and process of its generation
 ... reliable when independent observers would be able to reach a similar conclusion and consider information faithful representation
 ... possible to trace it, appropriate evidence

... clear and concise
 ... enables users to readily comprehend information
 ... concise: avoid boilerplate and unnecessary duplication (including information also provided in financial statements); use clear language and well-structured
 ... **only** include **material** information; **any immaterial** information or complementary information shall be provided in a way that avoids obscuring material information
 ... if best understood in context of f/s include information (in sustainability report?) and link to f/s



... comparable with other similar information about other entities and same entity / different period
 ... consistency helps to achieve goal of comparability
 ... like things look alike, different things look different

... helps faithful representation
 .. Means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement
 ... direct or indirect (observable or model, formula other technique)

... information available to decision-makers in time to be capable of influencing their decisions
 ... the older the information the less useful

... clear and concise
 ...if information on complex phenomena are excluded, they might be easier to understand, but are incomplete
 ...users have reasonable knowledge of business and economic activities

1. Merkmale von Informationsqualität

Questions 13-17: Additional aspects for discussion by GFA

Include sustainability information specific aspects

- Is the wide reference to the IFRS framework (only) with its different approach appropriate?
- For example: a different approach to verifiability needed? (decision usefulness as trade off between relevance and faithful representation, supported by verifiability – is there a different trade off in sustainability information?)

Clarification in the context of sustainability information

- What kind of decisions are to be supported by the information? Include concept of “transparency” (e.g. in addition to decision-usefulness)? See ESRS 1.43, CSRD-proposal (21), Action Plan...
- How is “prudence” to be understood in the context of sustainability information?
- ESRS: accurate (reduce errors) vs. IFRS FW: free from error (not perfectly accurate)?
- ESRS: Provide immaterial information in a way that avoids obscuring material information?

Clarify why concepts are not included for sustainability information (e.g. in BC)

- Timeliness not needed?
- Cost constraints? (see CSRD-proposal)

1. Merkmale von Informationsqualität

ESRS 1, Ch. 2.1 Merkmale von Informationsqualität

Exkurs: Objectives according to CSRD (p. 2)

The primary users of sustainability information disclosed in companies' annual reports are investors and non-governmental organisations, social partners and other stakeholders. Investors, including asset managers, want to better understand the risks of, and opportunities afforded by, sustainability issues for their investments, as well as the impacts of those investments on people and the environment. Non-governmental organisations, social partners and other stakeholders want to hold undertakings to greater account for their impacts of their activities on people and the environment.

The current legal framework does not ensure that the information needs of these users are met. This is because some companies from which users want sustainability information do not report such information, while many that do report sustainability information do not report all the information that is relevant for users. When information is reported, it is often neither sufficiently reliable, nor sufficiently comparable, between companies. The information is often difficult for users to find and is rarely available in a machine-readable digital format. Information on intangibles, including internally generated intangibles, is under-reported, even

1. Merkmale von Informationsqualität

ESRS 1, Ch. 2.1 Merkmale von Informationsqualität

Exkurs: Objectives according to CSRD (p. 2)

The objective of this proposal is therefore to improve sustainability reporting at the least possible cost, in order to better harness the potential of the European single market to contribute to the transition towards a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and the UN Sustainable Development Goals.

The proposal aims to ensure that there is adequate publicly available information about the risks that sustainability issues present for companies, and the impacts of companies themselves on people and the environment. This means that companies from which users need sustainability information should report such information, and that companies should report all information users consider relevant. Reported information should be comparable, reliable and easy for users to find and make use of with digital technologies. This entails changing the

The proposal will help reduce systemic risks to the economy. It will also improve the allocation of financial capital to companies and activities that address social, health and environmental problems. Finally, it will make companies more accountable for their impacts on people and the environment, thereby building trust between them and society.

The proposal aims to reduce unnecessary costs of sustainability reporting for companies, and to enable them to meet the growing demand for sustainability information in an efficient manner. It will bring clarity and certainty on what sustainability information to report, and make it easier for preparers to get the information they need for reporting purposes from their own business partners (suppliers, clients and investee companies). It should also reduce the number of demands companies receive for sustainability information in addition to the information they publish in their annual reports.

2. Wesentlichkeit, doppelte Wesentlichkeit



Question 18-23: Double Materiality / Impact Materiality / Financial Materiality

Double Materiality

Q 18 In your opinion, to what extent does the **definition of double materiality** (as per ESRS 1 paragraph 46) foster the identification of sustainability information that would meet the needs of all stakeholders?

Q 19 To what extent do you think that the proposed **implementation of double materiality** (as per ESRS 2-IRO 1, paragraph 74b(iii) and AG 61) is practically feasible?

Impact Materiality

Q 20 In your opinion, to what extent is the **definition of impact materiality** (as per ESRS 1 paragraph 49) aligned with that of international standards?

Q 21 To what extent do you think that the determination and **implementation of impact materiality** (as proposed by ESRS 1 paragraph 51) is practically feasible?

Financial Materiality

Q 22 In your opinion, to what extent is the **definition of financial materiality** (as per ESRS 1 paragraph 53) aligned with that of international standards?

Q 23 To what extent do you think that the determination and **implementation of financial materiality** (as proposed by ESRS 1 paragraphs 54 to 56) is practically feasible?

2. Wesentlichkeit, doppelte Wesentlichkeit



Information Materiality (par. 43)

Materiality is to be understood as the **critterion** for the inclusion of **specific information in sustainability reports**.

It reflects

- (i) the significance of the information in relation to the phenomenon it purports to depict or explain, as well as
- (ii) its capacity to meet the needs of the stakeholders of the undertaking, allowing for proper decision-making, and more generally
- (iii) the needs for transparency corresponding to the European public good.

The implementation of materiality implies the use of thresholds and/or criteria.

- Four definitions of materiality in the context of sustainability reporting (information, double, impact and financial): What is the purpose of the definition for information materiality?
- No reference at all to the definition of materiality in the accounting directive (“ [...] *'material'* means the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items.”)
- Financial- and sustainability reporting: Is it possible to define materiality with an exclusive reference to “*specific information in sustainability reports*”
- Differentiation between concept, principle, characteristic, criterion: Is (double) materiality an individual concept or part of the qualitative characteristics?

2. Wesentlichkeit, doppelte Wesentlichkeit

Double Materiality (par. 46)

Double materiality is a ***concept which provides criteria*** for the determination of whether a sustainability matter has to be included in the undertaking's sustainability report.

Double materiality is the union (in mathematical terms, i.e., union of two sets, not intersection) of impact materiality and financial materiality.

A sustainability matter meets therefore the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.

- Six references to “double materiality” (page 1), “double-materiality perspective” (page 8, recital 25 and 34), “principle of double materiality” as well as “double-materiality principle” (page 13 and recital 32) in the CSRD-Proposal, **but is not used in the legal text** itself;
- Wording of the legal text says: “[...] *information necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position. It clarifies the principle of double materiality, removing any ambiguity about the fact that companies should report information necessary to understand how sustainability matters affect them, and information necessary to understand the impact they have on people and the environment*”
- ESRS-Drafts: instead of the usual reference to the “inside-out perspective” and “outside-in perspective”, the terms “impact materiality” and “financial materiality” are introduced and defined separately
- Does this contribute to a coherent conceptual basis and better understanding? Would it not be better to address the two different perspectives here?

2. Wesentlichkeit, doppelte Wesentlichkeit

Impact Materiality and Financial Materiality (par. 49 and par. 52-53)

49: Impact materiality is a ***characteristic*** of a sustainability ***matter or information*** in relation to an undertaking.

A sustainability matter is material from an impact perspective if it is connected to actual or potential significant impacts by the undertaking on people or the environment over the short-, medium- or long-term.

This includes impacts directly caused or contributed to by the undertaking in its own operations, products or services and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain, and not limited to contractual relationships.

52: Financial materiality, as defined in the next paragraph, ***relates to financial materiality in sustainability reporting***. The definition of financial materiality for sustainability reporting is ***different from the concept of materiality*** used in the process of determining which information should be included in the undertaking's ***financial statements***.

53: Financial materiality in the context of sustainability reporting is a ***characteristic*** of a sustainability ***matter or information*** in relation to the undertaking. For the purposes of preparing sustainability reporting, a sustainability matter is material from a financial perspective if it triggers or may trigger significant financial effects on undertakings, i.e., it generates or may generate significant risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short-, medium- or long-term, ***but it is not captured or not yet fully captured by financial reporting at the reporting date***.

- Does it make sense to have two different types of financial materiality or does this highlight conceptual weaknesses?
- Does the distinction between financial and impact materiality form a proper conceptual basis for the building block approach?

3. Berichtsprinzip 1-3:

Maßnahmen, Maßnahmenpläne und Ressourcen in Bezug zu Konzepten und Zielgrößen



105. Erfordert die Durchführung eines Aktionsplans erhebliche Betriebs- bzw. Investitionsausgaben, hat das Unternehmen:
- (a) Art und Umfang der derzeitigen und künftigen finanziellen und sonstigen Ressourcen zu beschreiben, die dem Aktionsplan zugewiesen wurden, einschließlich Informationen über nachhaltige Finanzierungsinstrumente wie grüne Anleihen und grüne Kredite; und
 - (b) ergänzende erläuternde Informationen liefern, wenn die Fähigkeit zur Umsetzung des Aktionsplans von bestimmten Voraussetzungen abhängt, z. B. von der Gewährung finanzieller Unterstützung oder von der politischen Entwicklung und der Marktentwicklung.

Question 36 Survey 1B: Inwieweit wird DP 1-3 Ihrer Meinung nach zur Berichterstattung über verständliche, relevante, überprüfbare, vergleichbare und wahrheitsgetreu dargestellte Informationen über nachhaltigkeitsbezogene Aktionspläne und zugewiesene Ressourcen beitragen?