

18 June 2024

EFRAG Publishes Three Implementation Guidance Documents on ESRS and New ESRS Q&A Technical Explanations

1.0 Background

On 31 May 2024, the European Financial Reporting Advisory Group (“EFRAG”) published its first three non-authoritative implementation guidance documents (“IG”) on European Sustainability Reporting Standards (“ESRS”). These documents aim to address feedback from stakeholders following a consultation initiated in late 2023. The guidance is designed to support companies with their ESRS reporting requirements, providing assistance on (i) Materiality Assessment (“[EFRAG IG 1](#)”); (ii) Value Chain Reporting (“[EFRAG IG 2](#)”); and (iii) a list of the Detailed Data Points under the first set of ESRS (“[EFRAG IG 3](#)” and accompanying [Explanatory Note](#)).

2.0 Overview of the Implementation Guidance Documents

The following documents offer essential guidance to help organisations effectively implement and adhere to ESRS standards, fostering transparency and consistency in sustainability reporting:

- **EFRAG IG 1**: Provides an illustrative materiality assessment process for undertakings, elaborating on the concepts of impact and financial materiality with various examples, including how these two concepts interplay. Additionally, it includes frequently asked questions (“FAQs”) on the double materiality assessment, providing practical guidance on disclosing material impacts, risks, and opportunities.
- **EFRAG IG 2**: Outlines the rules, actions, targets, metrics, and materiality assessment requirements, as well as the reporting requirements for the value chain. It incorporates the idea of operational control with environmental standards and shows the group's reporting boundaries for sustainability reporting. Furthermore, the guidance contains a value chain map that summarises the value chain consequences per disclosure requirement across all ESRSs, as well as FAQs for more information.
- **EFRAG IG 3**: Translates the whole list of specific criteria from ESRS Set 1 into each Application Requirement and corresponding Disclosure Requirement in Excel

format. Additional information is included in the file, such as the kinds of requirements (qualitative and quantitative, for instance) and whether they are covered by transitory provisions. The list might serve as the foundation for a data gathering or gap analysis project.

3.0 EFRAG publishes new ESRS Q&A Technical Explanations

In order to help stakeholders with the implementation of ESRS through the [EFRAG ESRS Q&A Platform](#),¹ EFRAG announced on 30 May 2024, [the release of 44 new explanations as well as a compilation of technical explanations produced thus far](#).² These explanations consist of multiple batches that were previously published in February and March 2024, as referenced in the [Authority Circular of 26 March 2024](#).³

Following its due process, EFRAG will keep issuing explanations, including on engagement from both EFRAG's Sustainability Reporting Board and Technical Expert Group in public discussions.

4.0 Next Steps

EFRAG has committed to carrying on working with the European Commission to help businesses' efforts to adopt the ESRS, even as it continues to work on the development of other sets of ESRS (including SME standards, sector-specific standards, and third-country standards).

5.0 Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt.

¹ EFRAG's homepage on the ESRSs Q&A Platform can be found in the following link: [EFRAG ESRS Q&A Platform - EFRAG](#)

² Document titled: "ESRS Implementation Q&A Platform – Compilation of Explanations January-May 2024"

³ Authority's Circular dated 26 March 2024, titled: "The European Financial Reporting Advisory Group ("EFRAG") publishes Technical Explanations on European Sustainability Reporting Standards ("ESRS")"